Pengana International Equities Limited

ACN 107 462 966

Appendix 4E
Preliminary Final Report for the year ended 30 June 2020

Results announcement to the market

	2020 $'000	2019 $'000	Change %
Income from ordinary activities	40,921	27,517	49%
Profit from ordinary activities after tax attributable to members	24,132	16,707	44%
Basic and diluted earnings per share (cents per share)	9.50	6.63	43%

Dividend Information	Cents per share	Franked amount per share	Tax rate for franking
2020 Interim dividend	2.5 Cents	2.5 Cents	27.5%
2020 Final dividend	2.5 Cents	2.5 Cents	30.0%

Final Dividend Dates

Ex-dividend Date	8 October 2020
Record Date	9 October 2020
Last date for DRP	12 October 2020
Payment Date	23 October 2020

Dividend Reinvestment Plan

The Dividend Reinvestment Plan (DRP) is active and available to shareholders for the final dividend of 2.5 cents per share, which is franked at 30.0% (2019: 27.5%). Participating shareholders will be entitled to be allotted the number of shares which the cash dividend would purchase at the relevant price. The relevant price will be the weighted average sale price of all shares in the Company sold on the Australian Securities Exchange during the five trading days commencing on and including the Record Date, with no discount applied.

Net Tangible Assets Per Share	30 June 2020	30 June 2019
Net Tangible Assets (before provision for tax on unrealised gains) per share	$1.26	$1.23
Net Tangible Assets (after provision for tax on unrealised gains) per share	$1.25	$1.21

This report is based on the Annual Report which has been audited by Ernst & Young. The audit report is included with the Company's Annual Report which accompanies this Appendix 4E. All the documents comprise the information required by Listing Rule 4.3A.

For further information on the results for the Company refer to the Chairman's report to shareholders and the Investment Manager's Report contained in the attached Annual Report.

Dividends Paid

Dividends paid during the year totaled 6 cents per share and comprised:

	Date paid	Amount (CPS)
The final dividend for the 2019 financial year 2.35 cents per share was franked at 27.5%	19 November 2019	3.5
The interim fully franked dividend for the 2020 financial year 2.5 cents per share franked at 27.5%	30 April 2020	2.5

PENGANA
INTERNATIONAL
EQUITIES LIMITED

ASX: PIA

PENGANA INTERNATIONAL EQUITIES LIMITED

ANNUAL REPORT

ACN 107 462 966

30 JUNE
2020

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COMPANY PROFILE

Pengana International Equities Limited is an Australian Listed Investment Company whose operating activity involves investing its Australian capital into businesses that are listed on global security exchanges.

The company is listed on the Australian Securities Exchange (ASX) under the code PIA.
PIA's investment manager is Pengana Investment Management Limited (PIML), a wholly owned subsidiary of Pengana Capital Group (PCG). PCG also provides financial management and marketing support.

Corporate objective

PIA's objective is to provide shareholders with capital growth from investing in an ethically screened and actively managed portfolio of global businesses in addition to providing shareholders with regular, reliable and fully franked dividends.

Investment strategy

The investment strategy utilised by PIA was devised by experienced investment professionals over many years.

The strategy aims to generate consistent long-term returns whilst reducing volatility and the risk of losing capital.

The strategy is to actively manage a portfolio that is diversified in terms of geographies, industries and company sizes. The companies considered for inclusion in the portfolio demonstrate large and growing free cash flow generation, low levels of debt and are reasonably valued and fit our ESG requirements.

Benefits of investing in the strategy

Skilled investment team

A truly active strategy

Investment in high quality businesses at compelling valuations

Focus on risk and return

Ethical process

Investment approach that is suitable across differing market environments

Benefits of investing in PIA's LIC structure

Shares can be bought and sold on the ASX

Semi-annual fully franked dividends

Investment activities are not affected by redemptions or unexpected cash inflows or outflows

Regular reporting to shareholders e.g. semi-annual financial reports and weekly NTA

Shareholders can interact with directors and management

The company is subject to ASX and ASIC supervision

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CHAIRMAN'S LETTER TO SHAREHOLDERS

Dear shareholders

I am pleased to present the Annual Report for Pengana International Equities (ASX: PIA) for the year ending 30 June 2020.

Financial Performance

Strong investment performance lifted total investment income to $40.9 million and net profit after tax to $24.1 million for the year. This represented an increase of 44% over the profit of the prior year.

Total investment income included an $8.3 million benefit from foreign currency hedging which resulted from the manager's prudent risk management processes.

As dividends are an essential element of our shareholders' return it was pleasing to distribute $15.2 million in dividends to shareholders during the year.

Total assets increased in value to $326 million and comprised investments in businesses listed on global securities exchanges of $288 million and $38 million in cash and liquids.

The Net Tangible Asset Backing (NTA) before provision for tax on unrealised gains was $1.26 and after provision for tax was $1.25 on 30 June 2020.

	June 2020 $ million	June 2019 $ million
Cash & liquids	38	39
Investments	288	276
Total assets	**326**	**315**
Payables	(5)	(1)
Tax on unrealised gains	(4)	(6)
Net assets	**316**	**308**
NTA before provision for tax on unrealised gains	$1.26	$1.23
NTA after provision for tax on unrealised gains	$1.25	$1.21

Dividends

A final dividend of 2.5 cents per share, fully franked at the 30% tax rate will be paid on 23 October 2020 to shareholders on the register as at 9 October 2020. This brings the total fully franked dividends declared out of the 2020 financial year profits to 5 cents per share, consistent with the dividend policy outlined in the 2019 Annual Report.

During the year, a change to the investment mandate was implemented which will increase the realisation of investment gains and may result in slightly higher turnover in the portfolio. The payment of tax on the realised gains will increase franking credits available for distribution to shareholders.

The increasing franking credits that are expected to arise from this mandate change and the profit reserves available for distribution support the objective of paying fully franked dividends of at least 5 cents per share in the future.

After paying further tax in July 2020 the Company has sufficient franking credits and profit reserves available to fully frank an annual 5 cents per share dividend through to the end of FY 2021.

A dividend of 5 cents per share would provide a yield of 4.7% based on the year end share price of $1.07 per share. With the benefit of full franking, the yield increases to 6.6%.

Investment Performance

In a year marked by extreme swings in global markets' values, PIA's portfolio returned 11.3% after fees and expenses but before tax.

True portfolio diversification was a key factor underpinning the performance of the portfolio across a range of different market conditions.

The investment strategy is designed to generate long-term, attractive returns whilst reducing both volatility and the risk of losing capital. This strategy was tested in the third quarter of the financial year when global markets were severely affected by the COVID 19 crisis. Pleasingly, the portfolio performed relatively strongly recording a loss of 4.2% for that quarter compared with the MSCI World Index which lost 9.3%.

PIA's portfolio was also well positioned to take advantage of the market recovery in the last quarter of the year with the portfolio again outperforming the broader market with a return of 8% after fees and expenses but before tax.

As we move into the new financial year, the portfolio remains well diversified, with investments in a range of businesses that are expected to perform well across all market conditions.

In the report from the Investment Manager that follows, Jordan Cvetanovski and Steven Glass discuss the portfolio performance for the year in more detail as well as the outlook for 2021.

Ethical Investment Framework and Environmental, Social and Governance (ESG) Process

The Investment Manager, Pengana Capital Group Limited (PCG), is a member of the Responsible Investment Association of Australasia (RIAA). RIAA conducts an annual certification programme called Responsible Returns which tests whether a product or fund's investment intentions and processes are consistent with its responsible investment claims. PIA has achieved certification in the 14 consecutive years to 2020.

PCG is also a signatory to the United Nations-backed Principles for Responsible Investment (PRI), the world's leading proponent of responsible investment. Following the review last year made to the ethical framework that overlays the investment process for the Company, the Investment Manager saw an improvement in its 2020 PRI Assessment Report.

Finally, both Morningstar and Lonsec upgraded PIA's ESG/Responsible Investment ratings during the year, with PIA's Portfolio Sustainability Score now assessed as Above Average by Morningstar and Lonsec upgrading the Responsible Investment rating of the strategy from "Light" to "Moderate".

The strong portfolio performance during the year validates the view of the Investment Manager that a robust ESG process combined with a sound ethical framework leads to higher returns as companies that manage their ESG risks will outperform their peers in the long term.

Share Price

PIA's share price at the end of the financial year was $1.07.

The Total Shareholder Return (TSR), which includes dividends paid in the year ended 30 June 2020 was 7.6%. This return to shareholders does not take into account the additional value of the franking credits attached to the dividends. Even so the return is well above both the global benchmark and the accumulation return of the All Ordinaries Index of negative 2%.

Your Directors remain focused on strategies and activities that aim to reduce the discount at which the PIA shares trade relative to its NTA. Both PIA and PCG have invested in additional resources to better promote the benefits of an investment in PIA. In addition, better use of newer technologies is being employed to reach potential new shareholders directly as well as through the adviser and stockbroker channels.

Capital management

The company has a sound capital structure with total equity of $317 million and no debt. There are over 6,800 shareholders, who together own 254 million shares.

Additional shares are issued through the Dividend Reinvestment Plan. In the 2020 year there were one million shares issued at the weighted average sale price of all shares in the Company sold on the Australian Securities Exchange during the five trading days commencing on and including the Record Date, with no discount applied.

In August 2019, the Company announced its intention to implement an on-market buy back of no more than 10% of the Company's shares. To date, the Company has invested approximately $1 million to acquire 968,708 shares at an average discount of 17.8% to the last reported NTA on trade date.

Communication

We are continuously looking to improve communications with both existing and prospective shareholders. Our newsletters and video updates have gained significant traction over the year, and when the Covid-19 restrictions were imposed on physical gatherings across the nation, the Investment Manager was quick to pivot to providing updates via a webinar in place of the typical annual investor roadshow. The first of these webinars was very well attended and, as investors become more comfortable with virtual meetings, webinars will allow us to reach audiences beyond the reach of traditional physical conference for a fraction of the cost.

Annual General Meeting

Due to continually evolving Covid-19 restrictions, this year PIA will hold a virtual Annual General Meeting (AGM) through an online platform. Our AGM will be held on Wednesday 28th October 2020 at 9:30am (Sydney time) and detailed instructions on how to remotely join, participate, and vote will be included with this year's Notice of Meeting, which we anticipate will be available in mid-September 2020.

I look forward to discussing the Company's progress with you at this year's AGM.

Frank Gooch
Chairman
Pengana International Equities Limited
21 August 2020

INVESTMENT MANAGER'S LETTER

The financial year ending 30 June 2020 was monumental. It provided a window into the abrupt changes that often bewilder market participants, offering a meaningful test of a fund manager's conviction in their strategy and how that strategy performs across market environments. From this vantage point we review Pengana International Equities Limited's ("PIA") portfolio performance with some satisfaction.

For this review, we found it helpful to divide the last financial year into three periods. The first six months of the financial year were euphoric as growth stocks continued their upward march, and concept stocks like Virgin Galactic surged in price. This was followed by a period of despair during the Covid crisis, as markets seized up and collapsed approximately 40% from the prior high. The despair was short lived, and the year ended in exuberance, particularly for growth stocks as the Nasdaq reached new record highs.

It was a rarefied portfolio that delivered across these environments, with PIA being in that group as we kept up with the 'Euphoric' market, saved money during the 'Despair' period and then outperformed the period of 'Exuberance'. Ultimately, for the year ending 30 June 2020, we delivered 11.3% with a 10.8% standard deviation of returns (a measure of how volatile the returns are in the measurement period), both of which compare favourably to the MSCI World Total Return Index, Net Dividends Reinvested, in A$ ("MSCI World") return of 4.8% and 13.2% standard deviation of returns.[1]

Period	Description	PIA	MSCI AC World (A$)
1 July to 31 Dec-19	Euphoria	7.5%	9.0%
1 Jan to 31 Mar-20	Despair	-4.2%	-9.3%
1 Apr to 30 Jun-20	Exuberance	8.0%	6.1%
Financial year		11.3%	4.8%
Standard deviation		10.9%	12.7%

[1] Source: Bloomberg and Pengana Capital Group Limited. Performance figures refer to the movement in net assets per share, reversing out the impact of option exercises and payments of dividends, before tax paid or accrued on realised and unrealised gains. Past performance is not a reliable indicator of future performance, the value of investments can go up and down. New investment team with new mandate adopted: 1 July 2017. Pengana International Equities Limited has been managed under the new investment mandate by the Pengana investment team since 1 July 2017.

PIA always has three primary objectives, namely: (i) grow wealth; (ii) protect capital and (iii) minimize volatility; and these aims are achieved with a portfolio not invested in companies that make the world worse off (and ideally invested in companies that make the world better off). We have found that the best way to deliver on these goals is through a highly diversified portfolio of highly cash generative and growing companies that are reasonably valued, unlikely to blow up, and fit PIA's ESG requirements.

Adherence to our strategy was fundamental to delivering this performance. Diversification is essential for minimize volatility and it also meant that we didn't have excessive exposure to consumer-centric stocks, which were hit particularly hard during the Covid sell off. Investing in cash generative business with low debt gave us a reasonable degree of assurance regarding the financial viability of our investments. As noted above, a key prerequisite for a stock's inclusion in the portfolio is growth potential, meaning that we expect the value of the companies in our portfolio to naturally go up with increasing earnings. The valuation requirement was a key impetus for us to reduce the portfolio's market exposure early in 2020 and then invest in a several new positions during the Covid sell off. The strategy gave us a major advantage during the twists and turns of FY20.

Financial returns, however, are not the only way we should be measured and our Responsible Investment performance is equally important. At the start of the financial year we implemented an enhanced ESG framework, based on a multi-month research project assisted by *The Ethics Centre*. The enhancements included adding brewers and mining to our exclusion list and we duly exited Heineken and Newmont Mining. We then went beyond the exclusions list and exited Inditex (owner of Zara) which did not pass our ESG assessment based on its environmental and social (workers' rights) impact. Finally, we added companies we see as delivering a net positive environmental or social impact such as Vestas (one of the world's leading wind turbine companies), and Stora Enso and Sig Combibloc (sustainable packaging companies). We are proud of our Responsible Investment performance, which was recognized by Zenith, who rated Pengana as Australia's number one international ESG fund, and by Rainmaker, who included Pengana as a finalist in the international ESG fund of the year.

Going forward, we retain steadfast conviction in our strategy. The portfolio will continue to hold 30-40 companies that are diversified across industry, geography, economic exposure, and size. While these companies have different exposures, they will all be cash generative, growing, reasonably valued, unlikely to blow up, and fulfil PIA's Responsible Investment requirements. Within these bounds some of the themes we are concentrating on, include:

1. Bifurcation of the rich and poor – central bank quantitative easing is further enriching asset owners and the working class (everybody else) is not keeping up. This is creating a consumer consumption barbell whereby the rich are buying more luxury goods and the masses are trading down.
2. Clean world – there is widespread acceptance of the need to place less strain on the world. This is resulting in a boom in green energy and green packaging.
3. Critical connectivity – data connectivity is a critical utility driving increased investment and pricing power for the providers of that connectivity such as broadband providers, cellular tower providers, and telecommunication equipment companies.

4. Reflation – the world is at the extremities of monetary policy and we believe fiscal stimulus is now required for economic growth. This would be highly beneficially to many industrials and some banks.
5. Need for health – the world is ageing and becoming fatter, creating a fertile ground for health-related stocks.
6. Day of reckoning for disruptors – the share prices of many disruptive companies have become entirely disconnected with their underlying economics. We believe valuation is as powerful a force as gravity and the share price of these companies will ultimately return to earth.

Some of these themes will play out during the year and others might not. It is simply impossible to predict the future, which is why we tend to avoid doing so. With that understanding, we think it is best not to make one-way bets that will make you or break you and rather apply a few timeless principles across a variety of exposures. The efficacy of this approach across market environments can only be assessed through the fullness of time. We have just reached our three-year anniversary of managing PIA, our strategy has consistently delivered on all its objectives and we look forward to the next three years with the expectation it will continue to do so.

ETHICAL INVESTMENT POLICY

Process

Pengana International Equities Limited's ("PIA") ethical investment policy is implemented by the Investment Team of its Investment Manager, Pengana Investment Management Limited (a 100% owned subsidiary of ASX listed Pengana Capital Group Limited ("PCG")). Before a company is added to the portfolio, the extent of an investee company's business involvement in screened activities is assessed by reference to a Business Involvement report sourced from Sustainalytics, an independent provider of Environmental, Social and Governance ("ESG") and corporate governance research and ratings.

Consideration of environmental, social and ethical issues raised by prospective and existing investments are investigated within the investment research process and discussed at the Investment Team meeting on an ad-hoc basis. The PCG Risk Officer has final veto power on whether a stock meets the screening criteria for inclusion in the portfolio.

An ESG committee comprised of the PCG Risk Officer, the PCG Ethical Analyst and two members of the Investment Team conducts a quarterly review of companies newly introduced to the portfolio since the last review. The outcome of the review is a report highlighting investments which may not be compliant with the ethical investment policy. The report is considered by the Investment Team and follow-up analysis of possible non-compliant investments may be undertaken. PCG has final discretion on whether or not to divest non- compliant investments.

Where it is decided to divest, the asset is disposed as soon as practicable, as determined on a case-by-case basis, whilst endeavouring to realise the best price it reasonably can, taking into account liquidity and other market forces. On occasion PCG may choose to engage with an investee company rather than divest as a better way to effect change.

Negative screens

PIA is committed to responsible investing and seeks to avoid investing in businesses that are, in its opinion, currently involved in activities that are unnecessarily harmful to people, animals or the environment. These activities include:

Adult content	Gambling	Mining
Alcohol	GMOs	Old growth forest loggig
Animal cruelty	Nuclear	Tobacco
Fossil fuels (coal, coal seam gas, oil)		Uranium mining
Human rights abuses and exploitation		Weapons

PIA utilises a negative screening process which seeks to avoid investment in companies that derive operating revenues from direct and material business involvement in these sectors.

ESG integration

PCG is a member of the Responsible Investment Association of Australasia (RIAA) and is a signatory to the United Nations-backed Principles for Responsible Investment (PRI). This is a voluntary global initiative to encourage investment institutions to incorporate ESG considerations into their decision-making and reporting practices.

ESG considerations are not only sector and company specific, but can also encompass global thematic issues such as climate change or country specific issues such as political risks. Using Sustainalytics as our quant data source, we have developed a filter that identifies the subset of relevant sustainability factors most likely to have financially material impacts for a sector/industry to derive an ESG score card for each investee company.

This supplements meetings with management, company reporting and other desk top research and also forms the basis for on-going engagement with investee companies.

Investment decisions are based on both financial and non-financial considerations, including the results from the ESG score card. Significant ESG issues that affect a company's value drivers such as sales or profit margins may impact our assessment of intrinsic value or may lead us not to invest or to divest from a holding.

Active Ownership

We aim to engage with investee companies to gain understanding of both financial and ESG issues.

ESG issues covered are company specific but range from supply chain management to product quality and safety to ecological impacts of operations. We will raise issues that we believe have the potential to erode shareholder value, however due to our size we will consider joining shareholder action groups.

We consider voting at company meetings such as Annual General Meetings a key part of our fiduciary duty to maximise long term shareholder value.

DIRECTORS' REPORT

Your Directors present their report on Pengana International Equities Limited ("the Company"), for the financial year ended 30 June 2020.

DIRECTORS

The names of Directors in office at any time during or since the end of the year are:

Francis Gooch	Non-Executive Director and Chairman	
David Groves	Non-Executive Director	
Julian Constable	Non-Executive Director	Resigned on 31 October 2019
Russel Pillemer	Non-independent Managing Director	
Sandi Orleow	Non-Executive Director	Appointed on 1 September 2019

Directors have been in office since the start of the financial year to the date of this report, unless stated otherwise.

Information on Directors

During the year, the following persons held office as Director:

Francis Gooch - B.Bus, CPA
Independent, Chairman (appointed 6 December 2017), Non-executive Director (appointed 5 June 2017)

Mr Francis Gooch was appointed as a non-executive Director of the Company by the Board on 5 June 2017 and was elected by shareholders at the Company's 2017 Annual General Meeting. On 6 December 2017 he was appointed Chairman of Directors. He is also a member of the Company's Audit, Risk and Compliance Committee and of the Independent Board Committee.

Mr Gooch has over 24 years' experience in the LIC industry after having been an executive of Milton Corporation Limited since 1996. He became Chief Executive in 1999 and was made the Managing Director in 2004. Mr Gooch retired from Milton on 31 July 2018.

Mr Gooch has also served as chairman of the LIC industry body, Australian Listed Investment Companies Association.

Prior to joining Milton Corporation Limited Mr Gooch worked at Macquarie Bank Limited for 11 years.

Julian Constable - MAICD
Independent, Non-executive Director (resigned 31 October 2019)

Mr Constable was a Non-executive Director of the Company. He was also Chairman of the Company's Audit, Risk and Compliance Committee and of the Independent Board Committee.

Mr Constable is a senior investment advisor at Bell Potter Securities Ltd, having worked in this capacity since 1998. In this role his key attributes are developing new business and building relationships with clients. He has worked in the stockbroking industry since 1984, in both trading and advisory areas, at firms including Pembroke Securities Ltd, Pring Dean McNall, Hambros Equities and Potter Warburg Dillon Read.

Mr Constable has been a Non-executive Director of the ASX-listed HGL Ltd since August 2003 and is a member of its Remuneration Committee.

David Groves - BCom., MCom., CA, FAICD
Non-independent, Non-executive Director (appointed 13 January 2017)

Mr Groves is a Non-executive Director of the Company. He is also a member of the Company's Audit, Risk and Compliance Committee.

Mr Groves has over 25 years' experience as a company director. He is Chairman of Tasman Sea Salt Pty Ltd and is a non-executive director of Pengana Capital Group Limited, Redcape Hotel Group Management Ltd as responsible entity of the Redcape Hotel Group and of Pipers Brook Vineyard Pty Ltd. He is a former director of Pyrolyx AG (ASX: PLX), EQT Holdings Ltd, Tassal Group Ltd and GrainCorp Ltd and a former executive with Macquarie Bank Limited and its antecedent, Hill Samuel Australia. Mr Groves is a member of the Council of Wollongong University. He is a member of the Institute of Chartered Accountants Australia and New Zealand and a fellow of the Australian Institute of Company Directors.

Sandi Orleow - CFA, GAICD
Independent, Non-executive Director (appointed 1 September 2019)

Ms Orleow is a Non-executive Director of the Company. She is also Chairman of the Company's Audit, Risk and Compliance Committee and of the Independent Board Committee.

Ms Orleow brings to the PIA Board over two decades of experience in financial services across superannuation, funds management, consulting and research. Having started her career at Arthur Andersen as a Chartered Accountant, she became the Head of Consulting at Brockhouse Cooper in South Africa and then a Senior Investment Consultant and Head of Private Markets at Towers Watson Australia. She established her own consulting business in 2011.

Ms Orleow is also a Trustee Director of Local Government Super, is a member of the Investment Advisory Board of ACT Treasury and is a Director of the CFA Sydney Society.

Ms Orleow is a CFA Charterholder, a graduate of the Australian Institute of Company Directors and a Banking + Finance Oath Signatory.

DIRECTORS' REPORT

Information on Directors (continued)

Russel Pillemer - B.Com, CA
Non-independent, Managing Director (appointed Non-Executive Director 5 June 2017, Managing Director 21 February 2019)

Mr Pillemer is the Managing Director of the Company.

Mr Pillemer is also a Director and Chief Executive Officer of Pengana Capital Group Limited.

Mr Pillemer co-founded Pengana in 2003 and has been its Chief Executive Officer since inception. Prior to founding Pengana, Mr Pillemer worked in the Investment Banking Division of Goldman Sachs in New York where he specialised in providing advice to funds management businesses. Before moving to New York, he was responsible for leading Goldman Sachs' Australian Financial Institutions Group. Mr Pillemer was previously Chairman of Centric Wealth Group and a Principal of Turnbull Pillemer Capital.

He is a member of the Institute of Chartered Accountants in Australia and has a Bachelor of Commerce (Hons) from the University of New South Wales.

COMPANY SECRETARY

Paula Ferrao - B. Bus
Company Secretary (appointed 2 June 2017)

Ms Ferrao is the Company Secretary of the Company.

Ms Ferrao is also an Executive of Pengana Capital Group Limited. Ms Ferrao was previously interim Chief Executive Officer of Hunter Hall International Limited from January 2017 until its merger with Pengana Holdings Pty Ltd on 1 June 2017. Prior to that she was Chief Financial Officer of Hunter Hall International Limited since 2010.

Ms Ferrao has 21 years' experience in the funds management industry with strong expertise in financial reporting and tax for corporate entities, listed investment companies, managed investment schemes and public offer superannuation funds and in all aspects of fund operations.

OPERATING AND FINANCIAL REVIEW

Company Overview and Principal Activities

Pengana International Equities Limited is an Australian Listed Investment Company whose principal operating activity is investing its Australian capital into ethically screened businesses that are listed on global exchanges.

The Company is listed on the Australian Securities Exchange under the code PIA.

Pengana Investment Management Limited, a subsidiary of Pengana Capital Group, is the manager of PIA and it provides the investment team, financial management and marketing support.

During the year, the investment mandate was amended to include an additional objective which is to deliver sufficient realised profits to enable the Company to pay fully franked dividends.

OPERATING RESULTS

Total investment income for the year of $40.9 million, was 49% higher than that of the prior year. The improved operating performance was due to strong portfolio performance, which led to an increase of $37.5 million in the net fair value of the investments.

The result delivered a return, net of fees and expenses, of 11.3% for the financial year. This was a significantly better performance than the MSCI World Total Return Index of 4.8%. Realisation of gains during the year increased tax paid to $7.2 million and a current tax liability of $4.1 million.

Net profit after tax for the year was $24.1 million which equated to 9.5 cents per share.

During the year the company bought back 968,708 shares at an average price of 104.82 cents per share. This represented an average discount of 17.82% to the last reported NTA at the trade date.

FINANCIAL POSITION

At 30 June 2020, the Company's investments were valued at $288.1 million and it held $37.7 million in cash. Total assets amounted to $326.1 million.

The Company's net tangible assets at 30 June 2020 stood at $316.5 million.

The company has no borrowings.

Further information on the financial position of the Company is contained in the Chairman's letter.

DIRECTORS' REPORT

DIVIDENDS

	2020 $'000	2019 $'000
Final fully franked dividend of 2.5 cents per share, franked at 30.0%, to be paid on 23 October 2020 (2019: Final dividend of 3.5 cents per share, of which 2.35 cents per share is franked at 27.5%)	6,352	8,892
Interim fully franked dividend, franked at 27.5%, of 2.5 cents per share paid on 30 April 2020 (2019: Interim fully franked dividend, franked at 27.5%, of 3.5 cents)	6,345	8,865
	12,697	**17,757**

DIVIDEND POLICY

The Board is committed to paying a regular and growing stream of fully franked dividends to its shareholders, provided the Company has sufficient profit reserves and franking credits and it is within prudent business practices. The Company has implemented a change to the investment mandate such that the portfolio will now be managed with the specific additional aim of delivering fully franked dividends. This may result in slightly higher turnover in the portfolio to realise investment profits and deliver franking credits that will arise from the tax paid on the profits.

CORONAVIRUS IMPACT (COVID-19)

COVID 19, an illness caused by a new virus, was declared a worldwide pandemic by the World Health Organisation in March 2020. COVID 19 and measures to slow the spread of the virus, have had a significant impact on global economies, equity and financial markets. The operating results of PIA for the year ended 30 June 2020 and the financial position as at 30 June 2020 of the Company have not been adversely affected as a result of COVID-19, due to the consistent application of its investment strategy which is focused towards generating consistent long term returns whilst reducing volatility and risk of losing capital.

It is not practicable to estimate the potential impact, positive or negative, subsequent to reporting date. The situation is rapidly evolving and is dependent on measures imposed by Governments, Central Banks and the potential spread of the virus itself. The Directors of PIA will closely monitor the situation as it evolves and take relevant measures as required in ensuring the Company is able to navigate through this challenging period.

To reflect the heightened market volatility and uncertainty certain assumptions used in performing the sensitivity analysis have changed when compared to the prior financial year. Please refer Note 16(a) to the financial statements.

STRATEGY AND FUTURE OUTLOOK

The Company aims to meet its investment objective of generating long-term consistent returns whilst reducing volatility and the risk of losing capital, and to pay a regular and growing stream of fully franked dividends to our shareholders, provided the Company has sufficient profit reserves and franking credits and it is within prudent business practices.

The Board is continuously seeking to improve communication with shareholders, deploy value creating capital management strategies and being disciplined in managing the Company’s expenses.

The Company’s portfolio is primarily invested in equities and given the volatility in investment markets it is extremely difficult to forecast profit for the coming year. The Company provides weekly NTA announcements to the Australian Securities Exchange (ASX), and they can also be accessed via the website of the Company's Investment Manager: www.pengana.com

DIRECTORS' REPORT

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

On 26 August 2019 the Board announced its intention to implement an on-market buy back of no more than 10% of the Company's shares over the period commencing 10 September 2019 to 9 September 2020. During the year ended 30 June 2020 the Company has purchased and cancelled on-market 968,708 shares at a cost of $1,015,390, at an average discount of 17.82% to the Net Tangible Assets per share as at 30 June 2020.

On 26 August 2019 the Board announced its intention to reset the dividend payable for the financial year ending 30 June 2020 to 5 cent per share, franked to the maximum extent possible, provided the Company has sufficient profit reserves and franking credits and it is within prudent business practices. On 13 May 2020 the Company announced to the Australian Securities Exchange that it had implemented a change to the investment mandate with the aim of being able to deliver fully franked dividends to shareholders.

On 31 October 2019, Julian Constable resigned as Director of the Company. On 1 September 2019, Sandi Orleow was appointed as Director of the Company.

On 13 May 2020 the Company announced to the Australian Securities Exchange that it had implemented a change to the investment mandate with the aim of being able to deliver fully franked dividends to shareholders.

There were no other significant changes in the state of affairs during the reporting period.

EVENTS SUBSEQUENT TO BALANCE SHEET DATE

On 20 August 2020 the Board declared a final fully franked dividend of 2.5 cents per share franked at 30%, in line with the Company's stated dividend policy. This brings the total fully franked dividend for the year to 30 June 2020 to 5 cents per share.

The yield of the full year dividend of 5 cents per share is 4.5%, based on $1.11, the closing share price at 20 August 2020. Both the interim and final dividends are fully franked however, the franking rate for the interim dividend was 27.5% whilst the franking rate for the final dividend will be 30%. Taking into account the benefit of the franking credits the full year dividend yield increases to 6.3%.

The NTA after provision for tax on unrealised gains of the Company at 14 August 2020 was $1.29, an increase of $0.04 or 3.20% from the $1.25 recorded at 30 June 2020.

Other than the above, the Directors are not aware of any other matter or circumstance not otherwise dealt with in this financial report that has significantly or may significantly affect Company's operations, the results of those operations or the Company's state of affairs in future years.

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED)

The Board presents the Remuneration Report for the Company for the year ended 30 June 2020, which forms part of the Directors' Report and has been prepared in accordance with *the Corporations Act 2001* and the *Corporations Regulations 2001*.

1. REMUNERATION GOVERNANCE

The Company has no employees and so remuneration is limited to Directors' fees.

The Board is responsible for ensuring that the level of fees paid to the Directors is reasonable.

2. DETAILS OF KEY MANAGEMENT PERSONNEL

Key Management Personnel (KMP) for the year ended 30 June 2020 are those persons who are identified as having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any Non- executive Director (NED) of the Company.

Names and positions held by Directors and Officers of the Company in office at any time during the financial year are:

Name	Title	Appointment and resignation date
Francis Gooch	Non-Executive Director and Chairman	Appointed Non-Executive Director 5 June 2017 and Chairman 6 December 2017
David Groves	Non-Executive Director	Appointed 13 January 2017
Julian Constable	Non-Executive Director	Appointed 25 May 2010. Resigned 31 October 2019
Russel Pillemer	Non-independent Managing Director	Appointed Non-Executive Director 5 June 2017, Managing Director 21 February 2019
Sandi Orleow	Non-Executive Director	Appointed 1 September 2019

The Company has no employees. All operational and administrative duties are performed by Pengana Capital Group Limited (PCG), the parent company of the Investment Manager. No employees of PCG are remunerated by the Company.

Names and positions held by PCG personnel that the Company considers KMPs by virtue of their roles and responsibilities are:

Jordan Cvetanovski	Chief Investment Officer and Portfolio Manager at PCG
Steven Glass	Head of Research and Deputy Portfolio Manager at PCG

Unless otherwise noted, all KMP held their positions for the whole of the year ended 30 June 2020.

3. REMUNERATION

a. Remuneration Policy

Directors are remunerated by way of fees and superannuation contributions.

Each year the fees are determined by the Board of Directors who take into account the responsibilities, qualifications and experience of the directors as well as the demands made on directors and the remuneration of non-executive directors of comparable Australian companies.

Fees (including superannuation contributions):

	2020 $	2019 $	Change %
Chairman	65,700	65,700	Nil
Non-executive Directors	43,800	43,800	Nil

b. Aggregate Fees Limit

The Aggregate Fee Limit available to directors of $250,000 was approved by shareholders in 2013.

c. Equity-based Remuneration

NEDs are remunerated by way of cash benefits. The Company currently has no intention to remunerate NEDs by any way other than cash benefits.

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED) (Continued)

3. REMUNERATION (continued)

d. Directors Remuneration

The following table outlines the remuneration provided to NEDs for the years ended 30 June 2020 and 30 June 2019.

2020	Short-term benefits	Post-employment benefits	Total remuneration
	Directors' fees	Superannuation	Total
Non-executive Directors	$	$	$
Francis Gooch	60,000	5,700	65,700
David Groves	40,000	3,800	43,800
Julian Constable	13,333	1,267	14,600
Sandi Orleow	33,333	3,167	36,500
	146,666	**13,934**	**160,600**

Russel Pillemer, who is also Director and Chief Executive Officer of Pengana Capital Group Limited (ASX: PCG), PIA's Investment Manager, is not remunerated by PIA.

2019	Short-term benefits	Post-employment benefits	Total remuneration
	Directors' fees	Superannuation	Total
Non-executive Directors	$	$	$
Francis Gooch	60,000	5,700	65,700
David Groves	40,000	3,800	43,800
Julian Constable	40,000	3,800	43,800
	140,000	**13,300**	**153,300**

e. Service Agreements

Remuneration and other terms of employment for the Independent Non-executive Directors are formalised in service agreements with the Company.

Frank Gooch, Chairman, Independent Non-executive Director and member of the Audit, Risk and Compliance Committee and of the Independent Board Committee

- Commenced on 5 June 2017
- No term of agreement has been set unless the Director is not re-elected by shareholders of the Company
- Annual fees, inclusive of superannuation, for the year ended 30 June 2020 of $65,700.

Julian Constable, Independent Non-executive Director, Chair of the Audit, Risk and Compliance Committee and of the Independent Board Committee

- Commenced on 25 May 2010. Resigned on 31 October 2019
- No term of agreement has been set unless the Director is not re-elected by shareholders of the Company
- Annual fees, inclusive of superannuation, for the year ended 30 June 2020 of $14,600.

David Groves, Non-independent Non-executive Director and member of the Audit, Risk and Compliance Committee

- Commenced on 13 January 2017
- No term of agreement has been set unless the Director is not re-elected by shareholders of the Company
- Annual fees, inclusive of superannuation, for the year ended 30 June 2020 of $43,800.

Sandi Orleow, Independent Non-Executive Director, Chair of the Audit, Risk and Compliance Committee and of the Independent Board Committee

- Commenced on 1 September 2019
- No term of agreement has been set unless the Director is not re-elected by shareholders of the Company
- Annual fees, inclusive of superannuation, for the year ended 30 June 2020 of $36,500.

Russel Pillemer, Managing Director

- Commenced on 5 June 2017 (Appointed Managing Director 21 February 2019)
- Mr Pillemer is not remunerated by the Company, and being the Managing Director is not required to stand for re-election.

END OF AUDITED REMUNERATION REPORT

DIRECTORS' REPORT

MEETING OF DIRECTORS

During the financial year, meetings of Directors (including committees) were held. Attendances were:

	Full Board		Audit, Risk and Compliance Committee		Board-Sub Committee	
	Eligible	Attended	Eligible	Attended	Eligible	Attended
Francis Gooch	13	13	4	4	-	-
David Groves	13	13	4	4	1	1
Julian Constable	6	6	1	1	-	-
Russel Pillemer	13	13	-	-	1	1
Sandi Orleow	8	8	3	3	-	-

DIRECTORS SHARE HOLDINGS

Please see below details of Directors share holdings as at 30 June 2020.

Director's shareholding	Held at 1 July 2019	Purchases	Sales	Other	Held at 30 June 2020
Francis Gooch	55,000	-	-	-	55,000
David Groves	52,446	-	-	-	52,446
Julian Constable*	300,000	-	-	-	N/A

* Resigned 31 October 2019

ENVIRONMENTAL ISSUES

The Company's operations are not subject to any environmental regulation under the law of the Commonwealth and State or Territory.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any such proceedings during the year.

DIRECTORS' REPORT

ROUNDING OF AMOUNTS

The Company is of a kind referred to in the Australian Securities and Investments Commission (ASIC) Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, relating to the 'rounding off' of amounts in the Directors' report. Amounts in the Directors' report have been rounded off in accordance with that instrument to the nearest thousand dollars, or in certain areas, to the nearest dollar (unless stated otherwise).

INDEMNIFYING AND INSURANCE OF DIRECTORS AND OFFICERS

The Company insures each of the Directors and Officers in office against losses as a result of a claim including liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of Directors and Officers of the Company, other than conduct involving a wilful breach of duty in relation to the Company. Details of the nature of the liabilities covered or of the amount of premium paid in respect of the directors' and officers' insurance policies are not disclosed as such disclosure is prohibited under the terms of the contract.

INDEMNIFICATION OF AUDITORS

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

AUDITOR

Ernst & Young was appointed as the auditor on 16 November 2016 in accordance with section 327 of the *Corporations Act 2001*.

NON-AUDIT SERVICES

Ernst & Young received or are due to receive $7,000 for the provision of non-audit services.

The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the Auditor's Independence Declaration as required under s307C of the *Corporations Act 2001* is set out on the following page and forms part of this report.

Signed in accordance with a resolution of the Board of Directors.

Frank Gooch
Chairman
Sydney
21 August 2020

Ernst & Young
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Sydney NSW 2000 Australia
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Building a better working world

Auditor's Independence Declaration to the Directors of Pengana International Equities Limited

As lead auditor for the audit of Pengana International Equities Limited for the financial year ended 30 June 2020, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

Ernst & Young

Ernst & Young

Graeme McKenzie
Partner
21 August 2020

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE

For the year ended:	Note	30 June 2020 $'000	30 June 2019 $'000
Revenue			
Interest received		155	791
Dividend received		3,014	5,892
Change in fair value of investments	2	37,570	20,873
Foreign exchange gain/(loss) on foreign currency denominated cash		1	(40)
Other operating income		181	1
Total investment income		**40,921**	**27,517**
Management fees	3	(4,007)	(3,706)
Performance fees	3	(635)	-
		(4,642)	**(3,706)**
Expenses			
Directors' fees		(161)	(153)
Audit and assurance fees	3	(70)	(68)
Brokerage expenses		(958)	(868)
Share registry fees		(129)	(122)
ASX listing fees		(81)	(90)
Custody and administration fees		(141)	(139)
Other expenses		(218)	(221)
		(1,758)	**(1,661)**
Total expenses		**(6,400)**	**(5,367)**
Profit before income tax		**34,521**	**22,150**
Income tax expense	4	(10,389)	(5,443)
Net profit after income tax		**24,132**	**16,707**
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		**24,132**	**16,707**
Basic and diluted earnings per share (cents per share)	5	9.50	6.63

The statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

STATEMENT OF FINANCIAL POSITION

As at:

	Note	30 June 2020 $'000	30 June 2019 $'000
Assets			
Cash and cash equivalents	6	37,755	34,089
Trade and other receivables	7	155	5,065
Financial assets at fair value through profit or loss	8	288,074	275,825
Deferred tax assets	4	86	116
Total assets		**326,070**	**315,095**
Liabilities			
Trade and other payables	9	998	1,302
Current tax liabilities		4,100	-
Deferred tax liabilities	4	4,465	6,224
Total liabilities		**9,563**	**7,526**
Net assets		**316,507**	**307,569**
Equity			
Issued capital	10	316,026	315,997
Profit reserve	12	114,394	105,485
Retained losses	11	(113,913)	(113,913)
Total equity attributable to shareholders of the Company		**316,507**	**307,569**

The statement of financial position should be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY

For the year ended:	Note	Issued Capital $'000	Profit Reserve $'000	Retained Earnings/ (losses) $'000	Total $'000
Balance at 1 July 2018		308,278	106,473	(113,913)	300,838
Profit for the year		-	-	16,707	16,707
Transfer to profit reserve		-	16,707	(16,707)	-
Transactions with shareholders in their capacity as owners:					
Dividend reinvestment plan issues	10	1,399	-	-	1,399
Options exercised		6,327	-	-	6,327
Costs incurred on option issue		(7)	-	-	(7)
Dividends paid	13	-	(17,695)	-	(17,695)
Balance at 30 June 2019		**315,997**	**105,485**	**(113,913)**	**307,569**
Balance as at 1 July 2019		315,997	105,485	(113,913)	307,569
Profit for the year		**-**	**-**	24,132	24,132
Transfer to profit reserve		-	24,132	(24,132)	-
Transactions with shareholders in their capacity as owners:					
Dividend reinvestment plan issues	10	1,044	-	-	1,044
Dividends paid	13	-	(15,223)	-	(15,223)
Share buy back	10	(1,015)	-	-	(1,015)
Balance at 30 June 2020		**316,026**	**114,394**	**(113,913)**	**316,507**

The above statement of changes in equity should be read in conjunction with the accompanying notes.

STATEMENT OF CASH FLOWS

For the year ended:	Note	30 June 2020 $'000	30 June 2019 $'000
Cash flows from operating activities			
Proceeds from sale of investments		325,074	413,421
Payments for purchase of investments		(296,596)	(408,695)
Brokerage expenses		(958)	(868)
Dividends received		2,940	6,132
Interest received		218	749
Other income received		168	42
Management fees paid		(3,949)	(3,715)
Performance fees paid		-	(315)
Income tax paid		(7,188)	(2,847)
Payment to suppliers		(850)	(1,029)
Net cash inflow from operating activities	14	**18,859**	**2,875**
Cash flows from financing activities			
Payments for costs incurred on option issue		-	(7)
Proceeds from exercise of options		-	6,327
Dividends paid	13	(14,179)	(16,296)
Share buy back		(1,015)	-
Net cash outflow from financing activities		**(15,194)**	**(9,976)**
Net (decrease)/increase in cash and cash equivalents		3,665	(7,101)
Cash and cash equivalents at the beginning of the year		34,089	41,230
Foreign exchange (loss)/gain on foreign currency denominated cash		1	(40)
Cash and cash equivalents at the end of the year	6	**37,755**	**34,089**

The above statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: CORPORATE INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Pengana International Equities Limited ("the Company"), for the year ended 30 June 2020 were authorised for issue in accordance with a resolution of the Directors on 20 August 2020.

Pengana International Equities Limited is a for-profit company limited by shares incorporated and domiciled in Australia. The Company's principal place of business is Level 12, 167 Macquarie Street, Sydney, NSW 2000 Australia.

Further information on the nature of the operations and principal activities of the Company is provided in the Directors' report.

Basis of preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards (AASB) and other authoritative pronouncements of the Australian Accounting Standards Board.

The financial report has been prepared on a historical cost basis unless stated otherwise and is presented in Australian dollars. Investments in financial assets and liabilities are recorded at fair value through profit and loss.

The statement of financial position is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and are not distinguished between current and non-current.

Compliance with International Financial Reporting Standards

The financial report also complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

Summary of significant accounting policies

The following is a summary of the material accounting policies adopted by the Company in the preparation of the financial report. They have been consistently applied unless otherwise stated.

a. Revenue and other income

Dividend income is recognised on the date shares are quoted ex-dividend. Interest income is recognised on an accruals basis.

All revenue is stated net of the amount of Goods and Services Tax (GST).

b. Expenses

All expenses are recognised on an accrual basis. Management and performance fees are set out in Note 3.

c. Cash and cash equivalents

Cash and cash equivalents include cash on hand and call deposits with banks or financial institutions.

d. Financial assets and liabilities

Recognition and measurement

Financial assets and liabilities are recognised when the Company becomes a party to the binding contractual provisions to the instrument. For financial assets this is equivalent to the date that the Company commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial assets and liabilities are recognised on initial recognition at fair value. Financial instruments are classified into the following categories and fair values of financial instruments are determined on the following basis:

i. *Investments*

Financial assets and liabilities at fair value through profit and loss are measured initially at fair value excluding any transaction costs that are directly attributable to the acquisition of the financial asset or liability. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the Statement of Profit or Loss and Other Comprehensive Income. After initial recognition, investments are classified as "fair value through profit or loss". Gains and losses on investments are recognised in the Statement of Profit or Loss and Other Comprehensive Income. Gains and losses do not include interest or dividend income.

Last market close price is used for all investments quoted in an active market. Where this price falls outside the bid-ask spread, discretion is used as to whether the most appropriate price is the bid price or last market close price.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: CORPORATE INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d. Financial assets and liabilities (continued)

De-recognition

Investments are de-recognised when the right to receive cashflows from the investments has expired or the Company has transferred substantially all risks and rewards of ownership.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. Refer to Note 17 to the financial statements for further information.

ii. Derivative financial instruments

Forward foreign exchange hedging contracts

The Company only uses forward foreign exchange hedging contracts to hedge the risks associated with foreign currency fluctuations. The Company has established foreign exchange dealing lines with major banks. Forward foreign exchange hedging contracts are marked to market daily and are disclosed as financial assets or financial liabilities as the valuation requires. The Company does not apply hedge accounting as it manages such hedges as economic hedges.

The fair value of forward foreign exchange hedging contracts is calculated by reference to current forward exchange rates for contracts with the same maturity profiles.

Gains and losses arising from changes in fair value are taken directly to the Statement of Profit or Loss and Other Comprehensive Income.

iii. Trade and other receivables

Trade and other receivables are initially recognised at fair value. They are subsequently stated at amortised cost. At each reporting date, the Company shall measure the loss allowance on trade receivables at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Company shall measure the loss allowance at an amount equal to 12-month expected credit losses. Significant financial difficulties of the broker, probability that the broker will enter bankruptcy or financial reorganisation, and default in payments are all considered indicators that a loss allowance may be required. If the credit risk increases to the point that it is considered to be credit impaired, interest income will be calculated based on the gross carrying amount adjusted for the loss allowance. Trade receivables include pending trades which are measured at fair value.

iv. Trade and other payables

Trade and other payables are initially recognised at fair value. They are subsequently stated at amortised cost. Trade payables include pending trades which are measured at fair value.

e. Foreign currency translation

Foreign currency transactions are translated into Australian Dollars (AUD) at the functional currency spot rates of exchange at the date of the transaction.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of foreign assets and liabilities at year end exchange rates are recognised in the Statement of Profit or Loss and Other Comprehensive Income.

Translation differences on monetary assets and liabilities, forward foreign exchange hedging contracts, exchange traded options and investments are reported as part of the change in fair value of investments on the Statement of Profit or Loss and Other Comprehensive Income. All other foreign exchange gains and losses are presented in the Statement of Profit or Loss and Other Comprehensive Income within revenue.

Assets and liabilities denominated in a foreign currency are translated at the functional currency spot rates of exchange at reporting date.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: CORPORATE INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

f. Income Tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax adjusted for changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period.

Deferred tax is provided for using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

g. Goods and Services Tax

The GST incurred on the costs of various services provided to the Company by third parties such as custodial services and investment management fees have been passed onto the Company.

The Company qualifies for Reduced Input Tax Credits (RITC) at a rate of at least 55%, hence investment management fees, custodial fees and other expenses have been recognised in the statement of comprehensive income net of the amount of GST recoverable from the Australian Taxation Office (ATO). Accounts payable are inclusive of GST. The net amount of GST recoverable from the ATO is included in receivables in the statement of financial position.

Cash flows relating to GST are included in the statement of cash flows on a gross basis.

h. Profit Reserve

The profit reserve consists of amounts transferred during the year from current period profits and are preserved for future dividend payments.

i. Critical accounting estimates and judgements

The Directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Company. For the majority of the financial instruments held by the Company, quoted market prices are readily available.

j. Rounding of amounts

Unless otherwise shown in the financial statements, amounts have been rounded to the nearest thousand dollars and are shown in A$'000. Pengana International Equities Limited is a company of the kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: CORPORATE INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

k. New and amended standards and interpretations

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

The Company determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

The Company applies significant judgement in identifying uncertainties over income tax treatments. Since the Company operates in a complex multinational environment, it assessed whether the Interpretation had an impact on its consolidated financial statements.

Upon adoption of the Interpretation, the Company considered whether it has any uncertain tax positions, particularly those relating to transfer pricing. The Company's and the subsidiaries' tax filings in different jurisdictions include deductions related to transfer pricing and the taxation authorities may challenge those tax treatments. The Company determined, based on its tax compliance and transfer pricing study, that it is probable that its tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities. The Interpretation did not have an impact on the consolidated financial statements of the Company.

l. Comparative figures

Comparative information has been reclassified where required for consistency with current year's presentation.

NOTE 2: CHANGES IN FAIR VALUE OF INVESTMENTS

	2020 $'000	2019 $'000
Change in the fair value of listed equities	29,278	24,771
Change in the fair value of derivative financial instruments	8,292	(3,898)
Total changes in the fair value of investments	**37,570**	**20,873**

NOTE 3: EXPENSES

a. Management fees

In accordance with the Investment Management Agreement between the Company and Pengana Investment Management Limited (the Investment Manager), the Investment Manager is entitled to a management fee of 1.2% pa based on the gross value of the investment portfolio, payable on a monthly basis.

The amounts paid and payable to the Investment Manager in accordance with the Investment Management Agreement were:

	2020 $'000	2019 $'000
Management fees	4,007	3,706

NOTES TO THE FINANCIAL STATEMENTS

NOTE 3: EXPENSES (continued)

b. Performance fees

In accordance with the Investment Management Agreement between the Company and Pengana Investment Management Limited (the Investment Manager), the Investment Manager is entitled to a performance fee of 15% of any outperformance when the investment return of the portfolio outperforms the MSCI World Total Return Index, Net Dividends Reinvested in A$, subject to achievement of a high watermark. The method of calculating the fee is detailed in the Investment Management Agreement.

The amounts paid and payable to the Investment Manager in accordance with the Investment Management Agreement were:

	2020 $'000	2019 $'000
Performance fees	635	-

c. Auditor's remuneration

During the year the following fees were paid or payable by the Company for services provided by the auditor of the Company, Ernst & Young.

	2020 $'000	2019 $'000
Ernst & Young		
Audit and assurance services		
Audit and review of financial statements	70	68
Total remuneration for audit and other assurance services	**70**	**68**
Non-assurance services		
Tax compliance services	7	7
Total remuneration for taxation services	**7**	**7**
Total remuneration of Ernst & Young	**77**	**75**

NOTES TO THE FINANCIAL STATEMENTS

NOTE 4: INCOME TAX EXPENSE

	2020 $'000	2019 $'000
a. Income tax expense attributable for the year differs from the prima facie amount payable on the operating profit. The difference is reconciled as follows:		
Profit before income tax expense	**34,521**	**22,150**
Prima facie income tax expense on net profit at 30.0% (2019: 27.5%)	(10,356)	(6,091)
Effect on deferred tax rate change from 27.5% to 30.0%	(566)	-
Foreign withholding tax	881	934
Adjustments to prior period	(348)	(286)
	(10,389)	**(5,443)**
b. The major components of income tax expense are:		
Current income tax benefit/(expense)	(12,118)	(3,109)
Current tax adjustment for prior periods	-	23
Deferred income tax	1,729	(2,357)
	(10,389)	**(5,443)**
c. Deferred tax liabilities relate to the following:		
Unrealised gain on investments	(4,443)	(6,224)
Other temporary differences	(22)	-
	(4,465)	**(6,224)**
d. Deferred tax assets relate to the following:		
Costs associated with the issue of shares	73	112
Other temporary differences	13	4
	86	**116**

Under the provisions of the tax legislation, a company will qualify for the lower company tax rate of 27.5% for the financial year 2019/20 if it is a "base rate entity" for the income year. A company is a "base rate entity" for an income year only if:

- No more than 80% of the company's assessable income for the year is passive income; and
- The aggregated turnover of the company is less than the relevant threshold ($50 million for the financial year 2019/20).

The Company's "aggregated turnover" for the financial year 2019/20 amounted to approximately $61m.

As the Company's "aggregated turnover" for the financial year 2019/20 was more than $50 million the Company is not eligible to qualify for the lower company tax rate of 27.5% for 2019/20. Therefore the Company tax rate for the financial year 2019/20 is 30%.

The maximum rate at which the Company could frank dividends paid during the financial year 2019/20 was 27.5%.

Whilst the forecast tax rate and franking rate is 30% for financial year 2020/21 (2019/20:27.5%), the actual tax rate for financial year 2020/21 will be determined by the Aggregated Turnover for financial year 20/21. In the event that this is less than $50m the tax rate for financial year 2020/21 will be 26%.

NOTE 5: EARNINGS PER SHARE (EPS)

	2020 $'000	2019 $'000
Net profit after tax used in the calculation of basic and diluted EPS	24,132	16,707
	No. of Shares	**No. of Shares**
Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS	253,948,909	251,827,656
Weighted average number of ordinary shares outstanding during the year used in calculation of diluted EPS	253,948,909	251,827,656

The basic and diluted earnings per share have been calculated using the profit attributable to the shareholders of the Company as the numerator.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 6: CASH AND CASH EQUIVALENTS

	2020 $'000	2019 $'000
Cash at custodian	37,755	19,089
Short-term deposits	-	15,000
	37,755	**34,089**

NOTE 7: TRADE AND OTHER RECEIVABLES

	2020 $'000	2019 $'000
Dividends receivable	74	-
Interest receivable	-	63
Outstanding investment settlements receivable	-	4,081
GST receivable	54	50
Prepayments	-	31
Current tax receivable	-	831
Other receivables	27	9
	155	**5,065**

There are no past due or impaired receivables at reporting date. All trade receivables are expected to be received within 12 months of the reporting date.

NOTE 8: FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020 $'000	2019 $'000
Listed shares	285,155	275,825
Forward foreign exchange contracts	2,919	-
	288,074	**275,825**

NOTE 9: TRADE AND OTHER PAYABLES

	2020 $'000	2019 $'000
Management fees payable	351	293
Unsettled trades	-	928
Performance fees payable	635	-
Other expenses payable	12	81
	998	**1,302**

All trade payables are expected to be settled within 12 months of the reporting date.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 10: ISSUED CAPITAL

	2020 No. of shares	2019 No. of shares
Issued ordinary shares at the beginning of the reporting period	254,045,093	247,448,622
Shares issued on options exercised	-	5,361,901
Dividends reinvested (DRP)	1,009,652	1,234,570
Share buy back	(968,708)	-
Issued ordinary shares at reporting date	**254,086,037**	**254,045,093**

	2020 $'000	2019 $'000
Issued ordinary shares at the beginning of the reporting period	**315,997**	**308,278**
Options exercised net of expense incurred on option issue	-	6,320
Dividends reinvested (DRP)	1,044	1,399
Share buy back	(1,015)	-
Issued ordinary shares at reporting date	**316,026**	**315,997**

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote. A reconciliation of the number of ordinary shares outstanding is shown in the table above.

Capital risk management

On 26 August 2019 the Board announced its intention to implement an on-market buy back of no more than 10% of the Company's shares over the period commencing 10 September 2019 to 9 September 2020. During the year ended 30 June 2020 the Company has purchased and cancelled on-market 968,708 shares at a cost of $1,015,390, at an average discount of 17.82% to the Net Tangible Assets per share as at 30 June 2020.

The Directors manage the Company's capital by regularly ensuring that the Company employs its capital in the most efficient manner. The Directors believe that shareholder value is maximised through effective management of dividends distributed to shareholders, share buy-backs and issue of capital. These capital management initiatives will be used when deemed appropriate by the Directors. To achieve this, the Directors monitor the weekly and month end net tangible asset results, investment performance, the Company's expenses and share price movements.

For the year ended 30 June 2020, the Company paid dividends of $15,222,837 (2019: $17,694,956).

The capital structure of the Company consists of equity attributable to equity holders, comprising issued capital, reserves and retained earnings as disclosed in the Statement of Changes of Equity.

The Company is not subject to externally imposed capital requirements.

NOTE 11: RETAINED LOSSES

	2020 $'000	2019 $'000
Balance at the beginning of the year	(113,913)	(113,913)
Current year profit	24,132	16,707
Transfer to profit reserve	(24,132)	(16,707)
Balance at the end of the year	**(113,913)**	**(113,913)**

NOTES TO THE FINANCIAL STATEMENTS

NOTE 12: PROFIT RESERVE

	As at 30 June 2020 $'000	30 June 2019 $'000
Balance at the beginning of the year	105,485	106,473
Transfer from retained earnings/(losses)	24,132	16,707
Final franked dividend of 3.5 cents of which 2.35 cents per share is franked at 27.5%, paid on 19 November 2019 (2019: 3.5 cents, fully franked at 27.5%)	(8,878)	(8,830)
Interim fully franked dividend, franked at 27.5%, of 2.5 cents paid 30 April 2020 (2019: 3.5 cents, franked at 27.5%)	(6,345)	(8,865)
Balance at the end of the year	**114,394**	**105,485**

The profit reserve consists of declared profits, available for the payment of future dividends.

NOTE 13: DIVIDENDS

	2020 $'000	2019 $'000
a. Dividends paid		
Final franked dividend of 3.5 cents of which 2.35 cents per share is franked at 27.5%, paid on 19 November 2019 (2019: 3.5 cents, fully franked at 27.5%)	8,878	8,830
Interim fully franked dividend, franked at 27.5%, of 2.5 cents paid 30 April 2020 (2019: 3.5 cents, franked at 27.5%)	6,345	8,865
	15,223	17,695
b. Dividend reinvestment plan		
Final franked dividend of 3.5 cents of which 2.35 cents per share is franked at 27.5%, paid on 19 November 2019 (2019: 3.5 cents, fully franked at 27.5%)	(606)	(773)
Interim fully franked dividend, franked at 27.5%, of 2.5 cents paid 30 April 2020 (2019: 3.5 cents, franked at 27.5%)	(438)	(626)
	(1,044)	(1,399)
Net dividends paid in cash	14,179	16,296

c. Franking account

	2020 $'000	2019 $'000
Balance at the beginning of the year	2,269	6,144
Franking credits from tax paid	7,188	2,836
Payment of interim fully franked dividend	(2,407)	(3,362)
Prior year final fully/partially franked dividend	(2,261)	(3,349)
Franking account balance at year end	**4,789**	**2,269**
Payment of declared fully/partially franked dividend	(2,722)	(2,269)
Franking account balance post payment of final dividend	**2,067**	**-**

On 20 August 2020 the Board declared a final fully franked dividend of 2.5 cents per share franked at 30%, in line with the Company's stated dividend policy. This brings the total fully franked dividend for the year to 30 June 2020 to 5 cents per share.

As at 30 June 2020, the $2.067m franking account balance post payment of final dividend is equivalent to a 1.9 cents (2019: nil) per share fully franked dividend franked at 30%.

The Company's ability to continue to pay franked dividends is dependent upon the receipt of franked dividends from investments and the payment of tax.

Under the provisions of the tax legislation, a company will qualify for the lower company tax rate of 27.5% for the financial year 2019/20 if it is a "base rate entity" for the income year. A company is a "base rate entity" for an income year only if:

- No more than 80% of the company's assessable income for the year is passive income; and
- The aggregated turnover of the company is less than the relevant threshold ($50 million for the financial year 2019/20).

The Company's "aggregated turnover" for the financial year 2019/20 amounted to approximately $61m.

As the Company's "aggregated turnover" for the financial year 2019/20 was more than $50 million the Company is not eligible to qualify for the lower company tax rate of 27.5% for 2019/20. Therefore the Company tax rate for the financial year 2019/20 is 30%.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 13: DIVIDENDS (continued)

The maximum rate at which the Company could frank dividends paid during the financial year 2019/20 was 27.5%.

Whilst the forecast tax rate and franking rate is 30% for financial year 2020/21 (2019/20:27.5%), the actual tax rate for financial year 2020/21 will be determined by the Aggregated Turnover for financial year 20/21. In the event that this is less than $50m the tax rate for financial year 2020/21 will be 26%.

NOTE 14: CASH FLOW INFORMATION

	2020 $'000	2019 $'000
(a) Reconciliation of net cash flow from operating activities to net (loss)/profit after income tax:		
Net profit after income tax	24,132	16,707
Change in fair value of investments and foreign cash held	(37,571)	(20,873)
Proceeds from sale of investments	325,074	413,421
Payments for purchase of investments	(296,596)	(408,695)
Change in prepayments	31	(16)
Change in other receivables	(33)	239
Change in other payables	620	(317)
Net change in deferred tax assets/(deferred tax liabilities)	(1,729)	2,357
Change in income tax receivables	831	238
Change in income tax payable	4,100	-
Reinvested dividend income	-	(186)
Net cash inflow from operating activities	**18,859**	**2,875**

(b) Non-cash financing activities

	2020 $'000	2019 $'000
Issue of shares under the dividend reinvestment plan (DRP)	1,044	1,399
	1,044	**1,399**

NOTE 15: DERIVATIVE FINANCIAL INSTRUMENTS

In the normal course of business, the Company may enter into transactions in various derivative financial instruments with certain risks. A derivative is a financial instrument or other contract which is settled at a future date whose value changes in response to a change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable.

Derivative financial instruments require no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.

Derivative transactions during the year solely comprised of forward foreign exchange contracts. Derivatives may be used to:

- achieve long or short exposures;
- reduce risk; and
- reduce transaction cost.

While derivatives are used for trading purposes, they are not used to gear (leverage) a portfolio. Gearing a portfolio would occur if the level of exposure to the markets exceeds the underlying value of the Company.

The only derivative instrument the Company held as at balance sheet date were forward foreign exchange contracts.

Forward currency contracts are primarily used by the Company to hedge against foreign currency exchange rate risks on its non-Australian dollar denominated securities. The Company agrees to receive or deliver a fixed quantity of foreign currency for an agreed upon price on an agreed future date. Forward currency contracts are valued at the prevailing bid price at the reporting date. The Company recognises a gain or loss equal to the change in fair value at the reporting date.

The Company's derivative financial instruments at year end are detailed below:

30 June 2020

		Fair Values	
	Contract/notional $'000	Assets $'000	Liabilities $'000
Forward currency contracts	71,026	2,919	-
	71,026	**2,919**	-

NOTE 15: DERIVATIVE FINANCIAL INSTRUMENTS (continued)

The Company did not hold derivative financial instruments at 30 June 2019.

An overview of the risk exposures relating to derivatives is included in Note 16.

NOTE 16: FINANCIAL RISK MANAGEMENT

The Company holds the following financial instruments:

	2020 $'000	2019 $'000
Financial assets		
Cash and cash equivalents	37,755	19,089
Short-term deposits	-	15,000
Trade and other receivables	155	5,065
Investments at fair value	288,074	275,825
	325,984	**314,979**
Financial liabilities		
Trade and other payables	998	1,302
	998	**1,302**

From time to time, forward foreign exchange hedging contracts are used by the Company for risk management purposes. There is no gearing through the use of derivatives.

Financial risk exposures and management

The main risks the Company is exposed to through its financial instruments are market risk and credit risk.

a. Market risk

(i) Price risk

The Company is exposed to equity securities price risk arising from investments held by the Company and classified on the Statement of Financial Position as fair value through profit or loss of $285.2m (2019: $275.8m).

Sensitivity analysis

At reporting date, if the equity prices had been 10% higher and 15% lower, profit or loss before income tax of the Company would have increased by $28.8m and decreased by $43.2m (2019: increased/decreased by $27.6m). The assumption for equity prices being lower has increased from 10% to 15% (2019:10%) due to increased volatility in the markets causing greater price risk for price depressions. The assumption for equity prices being higher is the same as 2019.

The analysis assumes that all other variables, in particular interest rates, remain constants. The analysis is performed on the same basis as for 2019.

The following investments constitute 5% or more of the Company's equity portfolio:

Company	Fair value $'000	%	Business description
2020			
United Health group Inc	16,768	5.8%	Healthcare
Mowi Asa	14,874	5.2%	Consumer staples
2019			
Charter Communications Inc	16,197	5.9%	Telecommunications
CME Group Inc	16,099	5.9%	Financials

NOTES TO THE FINANCIAL STATEMENTS

NOTE 16: FINANCIAL RISK MANAGEMENT (continued)

a. Market risk (continued)

(ii) Foreign exchange risk

As at 30 June 2020 the portfolio (net assets excluding net tax liabilities) was invested 88.0% in International Equities (2019: 88.19%). The portfolio had an exposure to foreign cash and investments of A$285m (2019: A$276m), with $3m (2019: nil) of the foreign equity exposure hedged back into Australian Dollars by forward foreign exchange hedging contracts.

The Company manages foreign exchange risk on trade payables and trade receivables by having an auto foreign exchange sweep facility with the Company's custodian BNP Paribas Securities Services (credit rating: A-1), whereby trade settlements and payables are converted to Australian Dollar at a pre-determined exchange rate on settlement date.

The use of forward foreign exchange hedging contracts resulted in a realised gain of $5.4m in the year to 30 June 2020 (2019: loss of $5.3m) and an unrealised gain of $2.9m (2019: nil).

The Company is an investor in foreign currency assets and benefits from any weakening in the Australian Dollar against those currencies to which it is exposed. The accounting policy in regard to foreign exchange hedging contracts is detailed in Note 1.

Sensitivity analysis

At reporting date a 15% strengthening/weakening of the Australian Dollar at 30 June 2020 would have decreased/increased profit or loss before income tax by $42.8m (2019: $27.6m). The analysis assumes that all other variables, in particular interest rates, remain constant. The sensitivity analysis has been performed under the assumption that Australian Dollar strengthened or weakened against +-15% (2019:+-10%) against the major currencies the Company is exposed to. The change in the assumption in comparison to prior financial year is due to the increased volatility experienced in the foreign exchange markets.

The Company's total net exposure to fluctuations in foreign currency exchange rates at the reporting date was as follows:

2020	**Cash**	**Investments**	**Trade and other receivables/ payables**	**Tax asset/ liability**	**Total**
Assets (AUD)	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Australian Dollar	37,756	-	81	86	108,949
Euro	-	61,037	-	-	61,037
United States Dollar	(1)	133,357	74	-	65,323
Danish Krone	-	14,592	-	-	14,592
Hong Kong Dollar	-	28,271	-	-	28,271
Indian Rupee	-	16,812	-	-	16,812
Norwegian Kroner	-	14,874	-	-	14,874
Swedish Krona	-	6,222	-	-	6,222
Japanese Yen	-	9,990	-	-	9,990
	37,755	**285,155**	**155**	**86**	**326,070**
Liabilities (AUD)					
Australian Dollar	-	-	998	8,563	9,561
	-	**-**	**998**	**8,563**	**9,561**

2019	**Cash**	**Investments**	**Trade and other receivables/ payables**	**Tax asset/ liability**	**Total**
Assets (AUD)	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Australian Dollar	34,089	-	983	116	35,188
Euro	-	52,340	-	-	52,340
United States Dollar	-	161,139	4,082	-	165,221
Danish Krone	-	5,810	-	-	5,810
Hong Kong Dollar	-	9,802	-	-	9,802
Indian Rupee	-	11,211	-	-	11,211
Norwegian Kroner	-	10,115	-	-	10,115
Swedish Krona	-	12,343	-	-	12,343
Japanese Yen	-	13,065	-	-	13,065
	34,089	**275,825**	**5,065**	**116**	**315,095**
Liabilities (AUD)					
Australian Dollar	-	-	374	6,224	6,598
United States Dollar	-	-	8	-	8
Norwegian Kroner	-	-	920	-	920
	-	**-**	**1,302**	**6,224**	**7,526**

NOTES TO THE FINANCIAL STATEMENTS

NOTE 16: FINANCIAL RISK MANAGEMENT (continued)

a. Market risk (continued)

(iii) Interest rate risk

The main interest rate risk for the Company arises from its cash holdings. The Company's exposure to interest rate risk is immaterial.

	2020 $'000	2019 $'000
Cash and cash equivalents		
Cash balance subject to floating interest rate	37,755	19,089

b. Credit risk

The Company measures credit risk and expected credit losses using probability of default, exposure at default and loss given default. Management consider both historical analysis and forward looking information in determining any expected credit loss. At 30 June 2020, trade and other receivables, receivables on forward foreign exchange contracts and cash are held with counterparties with a credit rating of A-1 or higher (2019: A-1). Management consider the probability of default to be close to zero as these instruments have a low risk of default and the counterparties have a strong capacity to meet their contractual obligations in the near term. As such, no loss allowance is deemed to be necessary based on 12-month expected credit losses.

The Company's major credit risk arises from assets and cash and cash equivalents held with the custodian, BNP Paribas (credit rating: A-1) and foreign exchange hedging contracts held with Westpac Banking Corporation (credit rating: A-1) and Australian and New Zealand Banking Group (credit rating: A-1).

The Company manages credit risk associated with financial assets by only trading with reputable brokers and via established securities exchanges.

c. Liquidity risk

Based on an assumption of trading 10% of the trailing three month daily volume 97.24% of the portfolio could be realised in one month (2019: 99.56%) and 100.00% of the portfolio in six months (2019: 99.9%).

Maturities of financial liabilities

Financial liabilities held by the Company include management fees payable to the Investment Manager, unsettled trades and other payables. The below table shows the maturities of financial liabilities held by the Company. Forward foreign exchange hedging contracts are also included below where any liability existed at reporting date. Forward foreign exchange hedging contracts are marked to market daily and are disclosed as financial assets or financial liabilities as the valuation requires. Further information on these instruments is in Note 16(a).

2020 **Financial liabilities**	**Less than 1 month** **$'000**	**1 to 3 months** **$'000**	**3 to 6 months** **$'000**	**6 to 12 months** **$'000**	**Total** **$'000**
Other payables	998	-	-	-	998
Total	**998**	-	**-**	**-**	**998**

2019 **Financial liabilities**	**Less than 1 month** **$'000**	**1 to 3 months** **$'000**	**3 to 6 months** **$'000**	**6 to 12 months** **$'000**	**Total** **$'000**
Due to brokers	928	-	-	-	928
Other payables	374	-	-	-	374
Total	**1,302**	-	**-**	**-**	**1,302**

d. Net fair values

The following table provides an analysis of financial instruments as at reporting date that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which fair value is observable.

• Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets and liabilities.

• Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

• Level 3 fair value measurement are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

NOTE 16: FINANCIAL RISK MANAGEMENT (continued)

d. Net fair values (continued)

Fair value of financial assets such as listed investments at fair value and exchange traded index options that are traded in active markets are based on quoted close prices.

Fair value of forward foreign exchange hedging contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

There has been no transfer between levels from the previous reporting period.

2020 Financial assets	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Listed investments at fair value	285,155	-	-	285,155
Forward foreign exchange hedging contracts	-	2,919	-	2,919
Total	**285,155**	**2,919**	**-**	**288,074**

Financial liabilities

2019 Financial assets	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Listed investments at fair value	275,825	-	-	275,825
Total	**275,825**	**-**	**-**	**275,825**

The carrying amount of cash, trade and other receivables and trade and other payables approximate their fair values.

NOTE 17: OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Certain derivative financial instruments are subject to enforceable master netting arrangements, such as an International Swaps and Derivatives Association (ISDA) master netting agreements, or similar agreements that cover similar financial instruments. The Company's agreements allow for offsetting following an event of default, but not in the ordinary course of business, and the Company does not intend to settle these transactions on a net basis or settle the assets and liabilities on a simultaneous basis.

The gross and net positions of financial assets and liabilities that have been offset in the statement of financial position are disclosed in the first three columns of the following table.

	Gross amounts of financial assets $'000	Gross amounts set off in the statement of financial position $'000	Net amount of financial assets presented in the statement of financial position $'000	Amounts subject to master netting arrangements $'000	Net amount $'000
30 June 2020					
Financial Assets					
Forward foreign exchange hedging contracts	2,919	-	2,919	-	2,919
Financial Liabilities					
Forward foreign exchange hedging contracts	-	-	-	-	-

The Company did not hold offsetting financial assets and financial liabilities at 30 June 2019.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 18: RELATED PARTY TRANSACTIONS

Details of key management personnel

Key Management Personnel (KMP) for the year ended 30 June 2020 are those persons who are identified as having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any Non-executive Director (NED) of the Company.

Names and positions held by Directors and Officers of the Company in office at any time during the financial year are:

Name	Title	Appointment and resignation date
Francis Gooch	Non-Executive Director and Chairman	Appointed Non-Executive Director 5 June 2017 and Chairman 6 December 2017
David Groves	Non-Executive Director	Appointed 13 January 2017
Julian Constable	Non-Executive Director	Appointed 25 May 2010. Resigned 31 October 2019
Russel Pillemer	Non-independent Managing Director	Appointed Non-Executive Director 5 June 2017, Managing Director 21 February 2019
Sandi Orleow	Non-Executive Director	Appointed 1 September 2019

The Company has no employees. All operational and administrative duties are performed by Pengana Capital Group Limited (PCG), the parent company of the Investment Manager. No employees of PCG are remunerated by the Company.

Names and positions held by PCG personnel that the Company considers KMPs by virtue of their roles and responsibilities are:

Jordan Cvetanovski	Chief Investment Officer and Portfolio Manager at PCG
Steven Glass	Head of Research and Deputy Portfolio Manager at PCG

Unless otherwise noted, all KMP held their positions for the whole of the year ended 30 June 2020.

Related party transactions

Transactions between related parties are on arm's length commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

	2020 $	2019 $
a. Pengana Capital Group Limited		
The Company reimburses Pengana Capital Group Limited for any expenses that are paid on behalf of the Company as appropriate under the Company's constitution. This amount also includes directors fees paid amounting to $38,325 (2019:$153,300). The balance director's fee amounting to $122,275 was paid by the Company. Please refer to remuneration report 3(f) as disclosed in the Directors report.	(65,025)	(224,445)
b. Pengana Investment Management Limited (Investment Manager)		
Management fees paid and payable as governed by the Investment Management Agreement	(4,007,342)	(3,705,768)
c. Pengana Investment Management Limited (Investment Manager)		
Performance fee is accrued as governed by the Investment Management Agreement. Performance fee is calculated and accrued daily, payable on 30 June.	(634,723)	-

NOTE 19: STATEMENT OF OPERATIONS BY SEGMENT

The Company has identified its operating segments based on the internal reports that are reviewed and used by the Chief Investment Officer of the Investment Manager in assessing and determining the allocation of resources.

The Company operates in one business segment, being investment in securities.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 20: SUBSEQUENT EVENTS

On 20 August 2020 the Board declared a final fully franked dividend of 2.5 cents per share franked at 30%, in line with the Company's stated dividend policy. This brings the total fully franked dividend for the year to 30 June 2020 to 5 cents per share.

The yield of the full year dividend of 5 cents per share is 4.5%, based on $1.11, the closing share price at 20 August 2020. Both the interim and final dividends are fully franked however, the franking rate for the interim dividend was 27.5% whilst the franking rate for the final dividend will be 30%. Taking into account the benefit of the franking credits the full year dividend yield increases to 6.3%.

The NTA after provision for tax on unrealised gains of the Company at 14 August 2020 was $1.29, an increase of $0.04 or 3.20% from the $1.25 recorded at 30 June 2020.

Other than the above, the Directors are not aware of any other matter or circumstance not otherwise dealt with in this financial report that has significantly or may significantly affect the Company's operations, the results of those operations or the Company's state of affairs in future years.

NOTE 21: CONTINGENT LIABILITIES

There were no contingent liabilities at 30 June 2020 and 30 June 2019 that required disclosure.

DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of Pengana International Equities Limited, I state that:

In the opinion of the directors of the Company:

a) the financial statements and notes of Pengana International Equities Limited for the financial year ended 30 June 2020 are in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the Company's financial position as at 30 June 2020 and of its performance for the year ended on that date; and
- complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1; and

c) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration has been made after receiving the declarations required to be made to the directors by the Chief Executive Officer and Chief Financial Officer of the Investment Manager in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2020.

On behalf of the Board,

Frank Gooch
Chairman
Sydney
21 August 2020

Building a better
working world

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Independent Auditor's Report to the members of Pengana International Equities Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Pengana International Equities Limited (the "Company"), which comprises the statement of financial position as at 30 June 2020, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the Directors' declaration.

In our opinion, the accompanying financial report of Pengana International Equities Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Company's financial position as at 30 June 2020 and of its financial performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

Building a better working world

1. Investment existence and valuation

Why significant	How our audit addressed the key audit matter
The Company has a significant investment portfolio consisting primarily of listed equities. As at 30 June 2020, the value of these listed equities, was $288,074,295 AUD which equates to 88% of the total assets of the Company. As detailed in the Company's accounting policy described in Note 1d of the financial report, these financial assets are recognised at fair value through profit or loss in accordance with Australian Accounting Standards. Pricing, exchange rates and other market drivers can have a significant impact on the value of these financial assets and the financial report. Accordingly, valuation of the investment portfolio was considered a key audit matter.	We assessed the effectiveness of the controls relating to the recognition and valuation of investments. We obtained and considered the assurance report on the controls of the Company's administrator in relation to Fund Administration Services for the year ended 30 June 2020 and considered the auditor's qualifications and objectivity and results of their procedures. We agreed all investment holdings, including cash accounts, to third party confirmations at 30 June 2020. We assessed the fair value of all investments in the portfolio held at 30 June 2020 to independently sourced market prices. We assessed the adequacy of the disclosures in Note 15 of the financial report in accordance with the requirements of Australian Accounting Standards.

2. Management and Performance Fees

Why significant	How our audit addressed the key audit matter
Management and performance fees paid to the service provider, Pengana Investment Management Limited, are the most significant operating expense for the Company. The Company's accounting policy for management and performance fees is described in Note 3 to the financial report. Performance fees are recognised in the financial report if the performance hurdles for the Company have been met at the end of the relevant measurement period, which is the date that the performance criteria is met and the liability has been crystallised. As at 30 June 2020, management and performance fees totalled $4,642,065 AUD which equates to 72% of total expenses. Of this amount, management fees totalled $4,007,342 and performance fees totalled $634,723. The quantum of these expenses and the impact that market volatility can have on the recognition of	We assessed the effectiveness of the controls in relation to the calculation of management and performance fees at the service provider responsible for the calculation. We obtained and considered the assurance report on the controls of the Company's administrator in relation to Fund Administration Services for the year ended 30 June 2020 and considered the auditor's qualifications and objectivity and results of their procedures We recalculated management fees, in accordance with the relevant Services agreement, including agreeing the fee rate to the calculation. We assessed the performance fee calculation, including testing the inputs into the calculation model and assessed whether the calculation

Why significant	How our audit addressed the key audit matter
performance fees resulted in this being a key audit matter. The disclosure of these amounts is included in Note 3 to the financial report.	was in line with the relevant Services agreement. We also assessed whether the criteria for accrual of a performance fee liability were met at 30 June 2020. We assessed the adequacy of the disclosures in Note 3 of the financial report.

Information Other than the Financial Report and Auditor's Report

The Directors are responsible for the other information. The other information comprises the information included in Company's 2020 Annual Report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the Directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 14 to 15 of the Directors' Report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Pengana International Equities Limited for the year ended 30 June 2020, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Ernst & Young

Ernst & Young

Graeme McKenzie
Partner

Sydney
21 August 2020

ASX INFORMATION

The shareholder information set out below was applicable as at 19 August 2020.

DISTRIBUTION OF SHAREHOLDERS

Analysis of number of equitable security holders by size of holding:

Range	Number of shareholders	Number of ordinary shares
1 - 1,000	430	188,732
1,001 - 5,000	1,168	3,855,246
5,001 - 10,000	1,276	10,488,136
10,001 - 100,000	3,651	115,081,407
100,001 and over	287	124,472,516
Total	6,812	254,086,037

Range	Holders
Holders holding less than a marketable parcel	211

SUBSTANTIAL SHAREHOLDERS

The following shareholders have notified the Company that they are the substantial shareholders:

	Number of ordinary shares	% of total issued ordinary shares
Washington H. Soul Pattinson and Company Limited	30,734,274	12.10
Wilson Asset Management Group	27,825,087	10.95

20 LARGEST SHAREHOLDERS - ORDINARY SHARES	Number of ordinary shares	% of total issued ordinary shares
HSBC Custody Nominees (Australia) Limited	30,517,763	12.01
Washington H Soul Pattinson And Company Limited	16,932,474	6.66
Washington H Soul Pattinson And Company Limited	7,438,106	2.93
Pengana Capital Ltd	3,454,815	1.36
Pengana Investment Management Ltd	2,042,720	0.80
Pengana Investment Management Ltd	1,412,095	0.56
BNP Paribas Nominees Pty Ltd	1,079,040	0.42
Mr Anthony John Simmonds + Mrs Maureen Simmonds	1,029,015	0.40
J P Morgan Nominees Australia Pty Limited	955,869	0.38
Mr Orlando Berardino Di Lulio + Ms Catharina Maria Koopman	950,000	0.37
Karru Bay Pty Ltd	840,000	0.33
Netwealth Investments Limited	784,859	0.31
Halcycon Pty Ltd	780,000	0.32
Rolbern Pty Ltd	708,217	0.28
Netwealth Investments Limited	674,601	0.27
Mrs Jean Thyne Hadges	643,095	0.25
Nulis Nominees (Australia) Limited	624,032	0.25
Mr Bryan John Hiscock + Mrs Jean Helen Hiscock	600,000	0.24
Mr Francis Maxwell Hooper	579,000	0.23
Abyaneh Pty Ltd	550,565	0.22

As at 19 August 2020 there were 6,812 shareholders.

VOTING RIGHTS

Subject to the Company's constitution:

- At meetings of shareholders, each shareholder is entitled to vote in person, by proxy, by attorney or by representative;
- On a show of hands, each shareholder present in person, by proxy, by attorney or by representative is entitled to one vote;
- On a poll, each shareholder present in person, by proxy, by attorney or by representative is entitled to one vote for every share held by the shareholder.

In the case of joint holdings, only one joint holder may vote.

VOTING BY PROXY

Shareholders may appoint a proxy or attorney to represent them at a shareholder meeting. If a proxy is appointed and the shareholder attends the meeting then that proxy is automatically revoked.

A corporate shareholder may appoint a proxy, an attorney or a corporate representative.

DIVIDEND PAYMENTS

The Company offers shareholders the following choices of how dividend entitlements can be received:

- Cash – a cheque is mailed to the shareholder’s registered address
- Direct Credit Deposit –the dividend is paid directly to the nominated bank account. Direct credits avoid delay in postal delivery and the possibility of lost cheques and are therefore a preferred option.

TRANSACTIONS IN SECURITIES

	30 June 2020	30 June 2019
Total number of transactions in securities during the year	465	715
Total brokerage paid or accrued during the year	958,021	824,394

INVESTMENTS AT MARKET VALUE AS AT 30 JUNE 2020

Company Name	Code	Market Value $'000	% of Gross Assets
Communication Services			
Alphabet Inc	BYVY8G0	9,746	3.0 %
Bharti Airtel	6442327	6,648	2.0 %
Bharti Infratel	B92P9G4	10,164	3.1 %
Charter Communications Inc	BZ6VT82	13,763	4.2 %
Pinterest Inc	BJ2Z0H2	10,669	3.3 %
Tencent Holdings	BMMV2K8	11,166	3.4 %
		62,156	**19.1 %**
Consumer Discretionary			
Alibaba Group	BK6YZP5	10,542	3.2 %
Brembo S.p.A.	BF37983	7,288	2.2 %
Dollar Tree Inc	2272476	10,068	3.1 %
Rakuten Inc	6229597	9,991	3.1 %
		37,889	**11.6 %**
Consumer Staples			
Mowi ASA	B02L486	14,874	4.6 %
Sligro Food Group	B1VV9V2	2,289	0.7 %
		17,163	**5.3 %**
Financials			
AIA Group	B4TX8S1A	6,563	2.0 %
Aon	BLP1HW5	7,531	2.3 %
CME Group	2965839	7,856	2.4 %
Credit Agricole	CDSEFR	5,117	1.6 %
Deutsche Boerse	DBAEDE	7,975	2.4 %
Flow Traders	BYT05J2	10,586	3.2 %
Houlihan Lokey Inc	BYQ3PM7	10,639	3.3 %
Ing Groep Nv	BZ57390	5,342	1.6 %
		61,609	**18.9 %**
Health Care			
Cigna Corp	BHJ0775	9,792	3.0 %
Medtronic	BTN1Y11	7,422	2.3 %
Novo Nordisk	BHC8X90	6,286	1.9 %
Thermo Fisher Scientific Inc	THEUSD	10,911	3.3 %
UnitedHealth Group Inc	2917766	16,768	5.1 %
		51,179	**15.7 %**
Industrials			
Epiroc	BDZV127	6,222	1.9 %
Vestas Wind Systems	VESDKK	8,306	2.5 %
		14,528	**4.5 %**
Information Technology			
Amadeus IT Holdings	B3MSM28	5,237	1.6 %
Electronic Arts Inc	EAIUSD	7,975	2.4 %
Microsoft	MICUSD	7,012	2.2 %
		20,224	**6.2 %**
Materials			
Corticeira Amorim	4657736	8,973	2.8 %
Stora Enso	STEEFI	8,230	2.5 %
Vulcan Materials Co	VULUSD	3,204	1.0 %
		20,407	**6.3 %**
Total long portfolio		**285,155**	**87.5 %**
Foreign exchange contract assets		**2,919**	**0.9 %**
Total cash and cash equivalents, income receivables and outstanding settlements		**37,996**	**11.7 %**
Gross assets		**326,070**	

PRINCIPAL REGISTERED ADDRESS OF THE COMPANY

The principal registered office is Level 12, 167 Macquarie Street, Sydney, NSW 2000 Australia. Telephone (02) 8524 9900.

REGISTRY

Computershare Investor Services Pty Limited, Level 3, 60 Carrington Street, Sydney NSW 2000. Investor Enquiries 02 8216 5700.

STOCK EXCHANGE LISTING

Quotation has been granted for all the ordinary shares of the Company on all Member Exchanges of the Australian Securities Exchange Limited ("ASX"). The Company shares are traded under the symbol PIA. Details of trading activity are published in most daily newspapers and also obtainable from the ASX website: www.asx.com.au.

INVESTMENT MANAGEMENT AGREEMENT

The Company has appointed Pengana Investment Management Limited (the Manager), under an Investment Management Agreement dated 29 January 2004, to manage the investment portfolio of the Company. The Manager manages and supervises all investments of the Company, including providing monthly valuations, for the term of the contract.

Term

The Investment Management Agreement is for an initial period of 25 years commencing on the date the Company listed on the ASX (March 2004), unless terminated earlier in accordance with terms of the Investment Management Agreement.

Powers of Manager

For the purpose of carrying out its functions and duties under the Investment Management Agreement, the Manager has the powers of a natural person and absolute and unfettered discretion to manage the investment portfolio and to do all things and execute all documents necessary for the purpose of managing the investment portfolio.

Management Fee

In return for the performance of its duties as Manager of the Company's investment portfolio, the Manager is entitled to a management fee of 1.2% per annum of the gross value of the investment portfolio, payable on a monthly basis.

Performance fee

The Manager is also entitled to a Performance Fee, equal to 15% of any out-performance of the investment portfolio compared to its benchmark the MSCI World Accumulation Net Return Index in Australian Dollars. The fee is aggregated daily and paid annually, subject to the following:

i) if the aggregate Performance Fee for a Financial Year (including any amounts accrued from a previous year) is a positive amount but the Investment Return of the investment portfolio is not greater than zero, then that Performance Fee shall be carried forward (as an accrual) to the following Financial Year,

ii) if the aggregate Performance Fee for a Financial Year (including any positive or negative amount carried forward from the previous year) is a positive amount but the payment of the accrued Performance Fee would cause the adjusted Investment Return of the investment portfolio for the year to be negative, that portion of the Performance Fee that would cause the Investment Return of the investment portfolio to be negative shall be carried forward (as an accrual) to the following Financial Year,

iii) If the aggregate Performance Fee for a Financial Year is a negative amount, no Performance Fees shall be payable to the Manager in respect of that Financial Year, and the negative amount shall be added to the Performance Fee of the succeeding year.

Reimbursement of Expenses

The Company must reimburse to the Manager, in addition to its remuneration and rights of indemnification or reimbursement conferred under any other provision of the Investment Management Agreement or by law, all charges and expenses reasonably and properly incurred by the Manager in respect of the Company.

CORPORATE DIRECTORY

PRINCIPAL AND REGISTERED OFFICE

Pengana International Equities Limited
Level 12, 167 Macquarie Street,
Sydney, NSW 2000 Australia

Telephone	(61 2) 8524 9900
Facsimile	(61 2) 8524 9901
Website	www.pengana.com
Email	clientservice@pengana.com

DIRECTORS

Francis Gooch
Non-Executive Director and Chairman

David Groves
Non-Executive Director

Russel Pillemer
Managing Director

Sandi Orleow
Non-Executive Director

COMPANY SECRETARY

Paula Ferrao

AUDITOR

Ernst & Young
200 George Street
Sydney NSW 2000
Australia

SHARE REGISTRY

Computershare Investor Services Pty Limited
Level 4, 60 Carrington St
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Website	www.computershare.com/au

PENGANA
INTERNATIONAL
EQUITIES LIMITED

ASX: PIA

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