# Pengana International Equities Limited

ACN 107 462 966

## Appendix 4E
## Preliminary Final Report for the year ended 30 June 2024

### Results announcement to the market

| | **30 June 2024** | 30 June 2023 | **Change from the corresponding period** |
|---|---|---|---|
| | **$'000** | $'000 | **%** |
| Income from ordinary activities | **53,363** | 55,731 | (4)% |
| Profit from ordinary activities after tax attributable to members | **33,625** | 38,356 | (12)% |
| Basic and diluted earnings per share (cents per share) | **13.08** | 14.96 | (13)% |

| **Dividend Information** | **Cents per share** | **Franked amount per share** | **Tax rate for franking** |
|---|---|---|---|
| 2024 First interim dividend (paid 15 December 2023) | 1.35 Cents | 1.35 Cents | 25.0% |
| 2024 Second interim dividend (paid 15 March 2024) | 1.35 Cents | 1.35 Cents | 25.0% |
| 2024 Third interim dividend (paid 15 June 2024) | 1.35 Cents | 1.35 Cents | 25.0% |
| 2024 Final dividend (declared 18 July 2024 and to be paid 16 September 2024) | 1.35 Cents | 1.35 Cents | 30.0% |

**Final Dividend Dates**

| | |
|---|---|
| Ex-dividend Date | 30 August 2024 |
| Record Date | 2 September 2024 |
| Last date for DRP | 3 September 2024 |
| Payment Date | 16 September 2024 |

**Dividend Reinvestment Plan**

The Dividend Reinvestment Plan (DRP) is active and available to shareholders for the final dividend of 1.35 cents per share, which is franked at 30.0% (2023: 25.0%). 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 2024** | 30 June 2023 |
|---|---|---|
| Net Tangible Assets (before tax on unrealised gains/losses) per share | **$1.30** | $1.25 |
| Net Tangible Assets (after tax on unrealised gains/losses) per share | **$1.29** | $1.22 |

**Dividends Paid**

Dividends paid during the year totalled 5.4 cents per share and comprised:

| | **Date paid** | **Amount (CPS)** |
|---|---|---|
| The final dividend for the 2023 financial year 1.35 cents per share franked at 25.0% | 15 September 2023 | 1.35 |
| The first interim fully franked dividend for the 2024 financial year 1.35 cents per share franked at 25.0% | 15 December 2023 | 1.35 |
| The second interim fully franked dividend for the 2024 financial year 1.35 cents per share franked at 25.0% | 15 March 2024 | 1.35 |
| The third interim fully franked dividend for the 2024 financial year 1.35 cents per share franked at 25.0% | 15 June 2024 | 1.35 |

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.

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PENGANA
INTERNATIONAL
EQUITIES LIMITED

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ASX: PIA

# PENGANA INTERNATIONAL EQUITIES LIMITED

30 JUNE
2024

## ANNUAL REPORT

**PENGANA INTERNATIONAL EQUITIES LIMITED**
**ACN 107 462 966**

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# COMPANY PROFILE

PENGANA INTERNATIONAL EQUITIES LIMITED

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 Limited ("PCG"). PCG also provides financial management and marketing support.

Harding Loevner LP ("Harding Loevner") is PCG's investment team for PIA. Harding Loevner is a New Jersey-based global equity fund manager formed in 1989. PCG's partnership with Harding Loevner provides Australian retail investors exclusive access to Harding Loevner's extensive global expertise, usually only accessible to institutional investors.

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## Corporate objective

PIA's objective is to provide shareholders with capital growth over the long term 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

Harding Loevner has been managing strategies that invest globally in high-quality, growing businesses based on disciplined industry research since 1989.

The strategy seeks superior risk-adjusted returns, generated through investing in companies that meet the investment team's high quality and durable growth criteria at reasonable prices.

These companies are identified through the conduct of fundamental research, with a long-term, global perspective, and must exhibit the following four key investment criteria: competitive advantages, quality management, financial strength, and sustainable growth potential.

## Benefits of investing in PIA

Skilled investment team with a responsible investment process

A truly active strategy with a focus on risk and return

Investment in high quality businesses

## Benefits of investing in PIA's LIC structure

Quarterly fully franked dividends

Shares can be bought and sold on the ASX

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

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

Shareholders can interact with directors and management

The company is subject to ASX and ASIC supervision

PENGANA INTERNATIONAL EQUITIES LIMITED

# CHAIRMAN'S LETTER

Dear fellow shareholders,

I am pleased to report the financial results for Pengana International Equities Limited (ASX: PIA, 'the Company') for the year to 30 June 2024.

## Highlights

- Total Shareholder return of 15.5%.
- Net Profit of $33.6 million.
- Earnings per share of 13.08 cents per share.
- Final fully franked quarterly dividend of 1.35 cps will be paid on 16 September 2024.
- Net tangible assets after tax on unrealised gains were $1.29 per share at 30 June 2024.
- Profit Reserves and franking account are sufficient to sustain a continued annual dividend payment of 5.4 cents per share, fully franked at 30%, through to March 2027.[1]

## Performance for the Year

The Total Portfolio Return[2] ('TPR'), which comprises the dividends paid and the change in value of the NTA before provision for tax on unrealised gains, was 15.7%.

The Total Shareholder Return[3] ('TSR') , which combines dividends paid with changes in the share value, was 15.5%. The TSR increases to 17.3% if the value of franking credits is taken into account.

## Financial Position

The Company is in a sound financial position with the value of its global listed investment portfolio at 30 June 2024 being $338 million and cash of $14 million. The Company has no borrowings.

## Capital Management

During the year shareholders received four quarterly fully franked dividends of 1.35 cents per share each. This includes the 2023 final dividend and three quarterly dividends for 2024 financial year.

Gains on investments of $84 million realised during the 2024 financial year increased portfolio turnover and meant that PIA no longer qualified for the lower tax rate of 25%. Consequently, dividends paid in the 2025 financial year will be franked at a 30% tax rate.

Your directors consider PIA is well positioned to continue paying fully franked dividends as the company has a strong debt free balance sheet, profit reserves and franking credits. Following the payment of its current tax liability, PIA will have a franking account balance and sufficient profit reserves to sustain an annual fully franked dividend of 5.4 cents per share into to the 2027 financial year, assuming the tax rate remains at 30%[1].

In my report to the 2023 Annual General Meeting ('AGM'), I announced that the Board would investigate amendments to the operation of the dividend reinvestment plan ('DRP') that will minimise the dilutive effect of issuing shares at a discount to NTA and that these amendments would be in place for the March 2024 quarter dividend.

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Having investigated a number of alternatives, the Board determined that an on-market buyback of shares would be the better alternative to amending the terms of the DRP.

In the year to 30 June 2024, 1,046,473 shares were issued under the DRP, of which 772,122 were issued since the November 2023 AGM. A total of 716,586 shares were brought back to offset the dilutive effect of shares issued, representing 93% of the DRP shares issued since the AGM.

It is the Board's intention to continue to buy back shares to reduce the dilutive effect of issuing DRP shares at a discount to NTA into the 2025 financial year.

## Investment Manager's Report

In the Investment Manager's Report that follows the, PIA's investment team, Harding Loevner, discusses the major contributors and detractors to PIA's relative portfolio performance for the year ending 30 June 2024, PIA's current portfolio positioning, and outlook.

## Annual General Meeting

Your support is highly valued, and we look forward to seeing you at the 2024 Annual General Meeting this November, to be held at Pengana's offices located on Level 27, Governor Phillip Tower, 1 Farrer Place Sydney.

Frank Gooch
**Chairman**
**Pengana International Equities Limited**
**19 August 2024**

[1] The Company expects to pay approximately $15.6m in tax for the financial year 2023/2024, which will increase the franking account balance to $17.6 million or 15.96 cents per share, post payment of final dividend.

[2] TPR refers to "Total Portfolio Return" TPR for periods greater than 12 months are annualised. TPR 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.

[3] TSR refers to "Total Shareholder Return" TSR for periods greater than 12 months are annualised. TSR figures refer to the movement in closing share prices as quoted in the ASX, assuming the reinvestment of dividends. Past performance is not a reliable indicator of future performance, the value of investments can go up and down.

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# INVESTMENT MANAGER'S REPORT

The Total Portfolio Return for the financial year ended 30 June 2024 was 15.7% after deducting all costs and expenses but before taxes, While the MSCI World benchmark[1] returned 19.8%. However, it is noteworthy that almost 40% of this benchmark return was contributed by just five US-based mega tech stocks: NVIDIA, Microsoft, Alphabet, Amazon, and Meta Platforms.

The investment positions that most significantly impacted Portfolio returns relative to the benchmark included:

| **Contributors** |
|---|
| **Overweight positions** |
| US-based multinational technology group **Meta Platforms** owns Facebook, Instagram and WhatsApp. Meta's AI-powered Advantage+ product is winning an increasing share of digital advertising budgets, supporting the company's continued dominance of this market. Improved engagement and monetisation of its Reels video feature also helped it outperform last year. |
| Revenue growth for US-based e-commerce and social media company **Pinterest** exceeded the market's expectations, demonstrating how changes being implemented by the relatively new management team are leading to improved platform engagement and monetisation. |
| US-based international streaming service and production company **Netflix** outperformed after it reported better-than-expected subscriber growth and improved profitability. |
| **Schneider Electric** is a French digital automation and energy management group. It outperformed upon solid operating results and expectations that its data centre business will drive further growth. Schneider is one of only a handful of companies capable of providing the power and cooling technology needed to support the AI data boom. |
| **Underweight positions** |
| The portfolio's zero weighting to US-based global automotive and clean energy company **Tesla** which underperformed the market also contributed to relative returns. |

| **Detractors** |
|---|
| **Overweight positions** |
| France-based luxury goods group **Kering** underperformed after reporting revenues which were below market expectations as it struggled to turn around the Gucci brand, including replacing the CEO of Gucci with an interim head. |
| US industrials company **Rockwell Automation** provides automation technology to manufacturers. It underperformed after reporting disappointing quarterly earnings results, as the company's efforts to clear a pandemic-related backlog left it with insufficient inventory to supply new orders. |
| Danish healthcare company **Genmab** underperformed upon rising input costs in 2024 and the loss of additional royalty payments for Darzalex, the company's multiple myeloma drug. |
| US-based agricultural equipment manufacturer **John Deere** came under short- term pressure from a downturn in the agricultural cycle in early 2024. It underperformed after lowering its annual earnings guidance and reporting a drop in quarterly profits, citing a fall in sales after a period of strong growth. |
| **Underweight positions** |
| The Portfolio maintained a holding in **NVIDIA** for most of the year. However, the position was sold in February 2024 after it was considered that its share price had reached a level that did not reflect the risks to its AI-related earnings growth. The Portfolio's zero-weight position in NVIDIA subsequently detracted from relative returns when the stock continued to perform strongly. |

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## Portfolio Positioning

PIA's rigorous approach to diversification delivers a portfolio of high-quality securities. This provides less risk exposure to some of the most highly valued regions and sectors, in favour of some more exciting opportunities to capture value that is realised from innovation.

The portfolio currently holds underweight positions in information technology and financials, which are the largest sectors in the market index. It continues to hold overweight positions in those large tech groups that demonstrate sustainable earnings and attractive valuation levels. However, it does not hold those groups whose valuation levels now appear excessive or whose earnings appear less sustainable.

This gives it more opportunity to invest beyond the semiconductor-focussed stocks which have captured much of the early gains from the AI revolution. The portfolio managers' attention is now focussed on investing in some exciting software-focussed businesses, which remain much more attractively valued. These stocks are well positioned to grow earnings sustainably as they integrate AI into their businesses, delivering greater value to customers and reducing costs.

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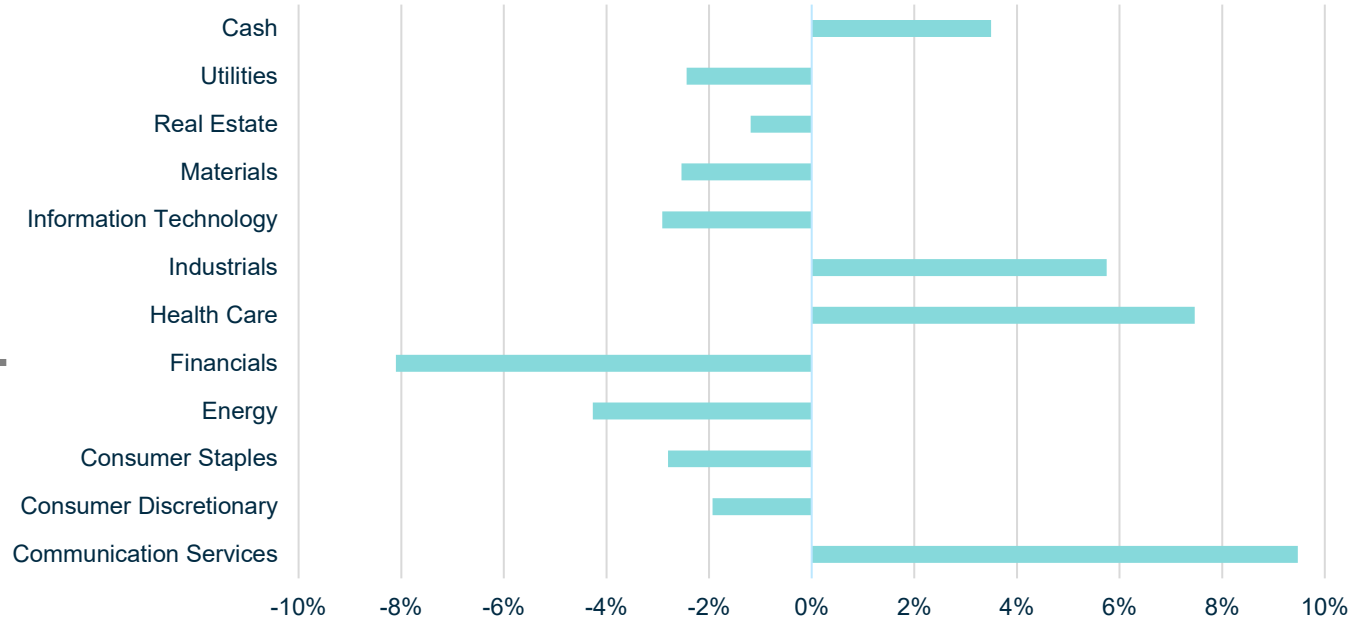
## PIA portfolio positions by sector, relative to MSCI World[1]




The portfolio looks for the very best investment ideas wherever they may be found. It has a little less exposure to North American stocks, which tend to dominate global share markets, than the benchmark. This enables it to increase its regional diversification to regions such as Asia.

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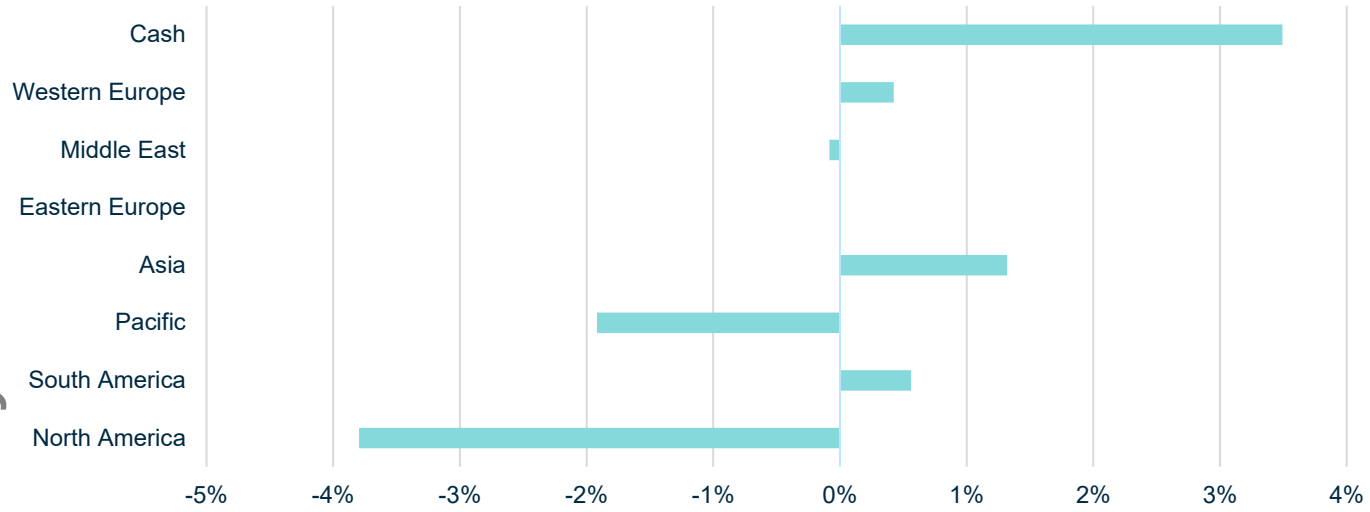
## PIA portfolio positions by region, relative to MSCI World[1]

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## Outlook

The focus continues to be on high-quality growing businesses which are positioned to take advantage of long-term secular growth trends that are less sensitive to the economic cycle.

Growth investing is predicated on exposure to continued waves of innovation, which can frequently lead to long periods of outperformance. The challenge lies in correctly identifying which growth companies will rise to the top, as a small proportion typically capture most of the wealth that is created.

The macro-economic environment currently brings elevated risk, in particular, the outcome of the US presidential election in November 2024 could have a major impact on international trade. Geo-political tensions can be expected to remain elevated; the US-China relationship is likely to be a generational challenge and there is no end in sight for the wars in Ukraine and the Middle East. It also remains to be seen if China can stimulate its economy sufficiently to return to its previous growth path.

The recent narrow concentration of share market returns has proved challenging to investors, but it leaves many high-quality growth stocks attractively valued. This provides opportunities for bottom-up fundamental investors to outperform over the long-term. Valuation levels and diversification remain critical to the identification of opportunities across sectors and geographies.

[1] MSCI World Total Return Index, Net Dividend Reinvested, in Australian dollars.

PENGANA INTERNATIONAL EQUITIES LIMITED

# RESPONSIBLE INVESTMENT

Pengana Capital Group Limited ("PCG") has been a signatory to the United Nations' supported Principles for Responsible Investment ('PRI') since 2010, and a member of the Responsible Investment Association Australasia ('RIAA') since 2006.

PIA has been certified by RIAA according to the strict operational and disclosure practices required under the Responsible Investment Certification Program.

Guided by the PRI and RIAA standards, PIA has adopted a Responsible Investment policy, implemented by the Investment Team with oversight by PCG.

PIA is committed to responsible investing through ESG screening, integration and active ownership, and an ethical investment approach that utilises the application of ethical screens.

Through the application of negative screens, PIA 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.

ESG screening and integration and active ownership forms part of Harding Loevner's investment selection and monitoring approach.

PIA invests in businesses selected through Harding Loevner's Responsible Investment process that pass PCG's ethical screens.

## Responsible Investment Process - Incorporation of Environmental, Social and Governance (ESG) Factors

Harding Loevner's investment selection approach, by its design, eschews companies engaging in unsustainable business practices or pursuing short-term profits at the expense of long-term growth and stability. Harding Loevner believes only companies that can create substantial long-term value are capable of producing meaningful "shared value" for the benefit of larger society as well as for shareholders and other direct stakeholders.

Harding Loevner includes an explicit consideration of ESG risk factors into equity security evaluation. Competitive advantage, sustainable growth, financial strength, and quality management are the criteria by which Harding Loevner judges whether a company can sustain high returns on capital. ESG factors are among those that may pose risks to a company's ability to continue to meet one or more of these criteria. Such risks are therefore considered at each stage of Harding Loevner's investment process.

## Responsible Ownership

Harding Loevner is an active owner and has clear engagement policies in place with the aim of protecting and furthering the financial interests of its clients, the asset owners.

Harding Loevner votes all proxies with its clients' best interest in mind. As active owners, Harding Loevner seek to use its voting power to promote high standards of corporate governance, including provision of adequate disclosure of company policies, activities, and returns, as well as fair and equitable treatment of shareholders.

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## Ethical Screens

PCG utilises a negative screening process which seeks to avoid investment in companies that derive significant operating revenues from direct and material business involvement in sectors PIA considers unethical:

| Screened activities | |
|---|---|
| Adult content | 5% or more revenue from the production of adult content<br>15% or more aggregate revenue from the production, distribution and retail of adult content |
| Alcohol | 5% or more revenue from the production of alcohol<br>15% or more aggregate revenue from the production, distribution and retail of alcohol |
| Non-medical, non-regulatory animal testing | Excludes companies involved in animal testing for non-medical products where there is no legal requirement |
| Fossil fuels (GICS 101020) | Nil investment in companies with the global industry classification standard (GICS) 101020 "Oil, Gas and Consumable Fuels"<br>15% or more aggregate revenue from Thermal Coal, Conventional Oil & Gas Febelfin, Unconventional Oil & Gas Febelfin |
| Gambling | 5% or more revenue from ownership of operation of gambling-related business activities<br>15% or more aggregate revenue from gambling-related business activities |
| Genetically modified organisms (agriculture) | 5% or more revenue from the development or growth of Genetic Engineering - agriculture<br>15% or more aggregate revenue from the consumption, use or retail of Genetic Engineering - agriculture |
| Human rights abuses and exploitation | Serious or systematic controversies relating to human rights violations |
| Mining (GICS 151040) | Companies with the global industry classification standard (GICS) 151040 "Metals and Mining" |
| Nuclear | 5% or more of revenue classified as Nuclear Power Supplier<br>15% or more aggregate revenue from nuclear power related activities |
| Severe Impact on Ecosystems | Companies with Severe and Very Severe Operational Impacts on Ecosystems Controversies |
| Securities from issuers on UN sanctions list | |
| Tobacco | Nil revenue from growers, producers or licensors of tobacco products, nicotine alternatives and tobacco-based products<br>15% or more aggregate revenue from the distribution and retail of tobacco products, nicotine alternatives and tobacco-based products |
| Weapons | Nil revenue from the manufacture, development and/or production of controversial weapons (being biological and chemical weapons, depleted uranium ammunition/armour, anti-personnel mines or cluster munitions/submunitions and their key components).<br>Nil revenue from the development, production and maintenance of nuclear weapons.<br>15% or more aggregate revenue from the production, distribution and retail of firearms and ammunitions. |

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## Directors' report

The Directors present their report on Pengana International Equities Limited (the "Company"), for the financial year ended 30 June 2024.

**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 Chair |
| Russel Pillemer | Managing Director |
| David Groves | Non-Executive Director |
| Sandi Orleow | Independent Non-Executive Director and Chair of Audit, Risk & Compliance Committee |

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 (Frank) Gooch - B.Bus, CPA**
*Independent, Chair (appointed Non-executive Director 5 June 2017, Chair 6 December 2017)*

Mr Gooch was appointed as a Non-executive Director of the Company on 5 June 2017 and he is a member of the Company's Audit, Risk and Compliance Committee.

Mr Gooch has over 28 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 chair of the LIC industry body, Australian Listed Investment Companies Association. Prior to joining Milton Corporation Limited Mr Gooch was an executive at Macquarie Bank Limited for 11 years.

**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 Chair of Centric Wealth Group and a Principal of Turnbull Pillemer Capital.

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

**David Groves - BCom., MCom., CA**
*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 the Non-executive Independent Chair of Pengana Capital Group Limited (ASX:PCG) & H&G High Conviction Limited (ASX:HCF). He is also a Non-executive Director of MA Redcape Hotel Fund RE Limited as responsible entity of the MA Redcape Hotel Fund. He is a former Director of 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 Chartered Accountants Australia and New Zealand.

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## Directors' report (continued)

**Information on Directors (continued)**

**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 Chair of the Company's Audit, Risk and Compliance Committee.

Ms Orleow is an experienced non-executive director with deep expertise in financial services, superannuation, investments and business transformation. She has worked across multiple geographies and has proven success in leveraging established processes into new markets and building new profit centres. Including setting up the South African office of a large Canadian consulting business and setting up the specialist private markets consulting proposition for a large global consultant in Australia.

Ms Orleow has served and continues to serve on a range of boards and committees including those of government entities, private and listed companies, superannuation, and member-based organisations. Her current roles include; Trustee Director Active Super; Director Sydney Financial Forum and is the Chair of the CFA (Chartered Financial Analyst) Australia Diversity Council.

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

**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 Company Secretary and Executive Director of Pengana Capital Group Limited, and member of the Finance Council of the Trustees of the Sisters of the Good Samaritan. 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 25 years' experience in the funds management industry with strong expertise in financial reporting and tax for listed 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 Investment Manager of PIA and it provides investment management, financial management and marketing support. The Investment Manager has appointed New Jersey based Harding Loevner LP ("Harding Loevner") as the investment team for PIA.

**Operating results**

Net income after tax for the year was $33.6 million, which equated to 13.08 cents per share.

The portfolio delivered a return, net of fees and expenses, of 15.75% for the financial year ended 30 June 2024. Performance figures refer to the movement in net assets per share, reversing out the payment of dividends, before tax paid or accrued on realised and unrealised gains.

The Portfolio continues to focus on high-quality growing businesses which are positioned to take advantage of long-term secular growth trends that are less sensitive to the economic cycle.

During the year the Board determined that an on-market buyback of shares would minimise any dilution arising from the operation of the DRP. Effectively, all of the DRP shares issued in respect of the March 2024 and June 2024 dividends were bought back as well as 71% of the December 2023 dividend DRP shares.

During the year, increased portfolio turnover delivered $84 million of realised gains. As tax will be paid on these gains the franking account balance will increase, such that the current annual fully franked dividend of 5.4 cents per share could be sustained into to the 2027 financial year. Due to the higher level of realised gains PIA will no longer qualify for the lower tax rate of 25% and consequently, dividends paid in the 2025 financial year will be franked at a 30% tax rate.

The recent narrow concentration of share market returns leaves many high-quality growth stocks attractively valued. This provides opportunities for bottom-up fundamental investors to outperform over the long-term. Valuation levels and diversification remain critical as the Portfolio seeks to identify opportunities across sectors and geographies.

## Directors' report (continued)

### Financial Position

At 30 June 2024, the Company's equity investments were valued at $337.5 million and it held $14.0 million in cash. Total assets amounted to $351.9 million.

The Company's net tangible assets at 30 June 2024 stood at $332.9 million.

The Company has no borrowings.

For further information on operating results and the financial position of the Company please refer to the Chair's letter.

### Dividends paid/payable

| | **30 June 2024** | 30 June 2023 |
|---|---|---|
| | **$'000** | $'000 |
| Final fully franked dividend of 1.35 cents per share, franked at 30.0%, to be paid on 16 September 2024. (2023: Final fully franked dividend, franked at 25.0%, of 1.35 cents per share.) | **3,472** | 3,467 |
| Interim fully franked dividends, franked at 25.0%, of 1.35 cents per share paid on 15 December, 15 March and 15 June 2024 (2023: Interim fully franked dividends, franked at 25.0%, of 1.35 cents per share.) | **10,413** | 10,385 |
| | **13,885** | 13,852 |

### Dividend policy

The Board has adopted a dividend policy to pay dividends on a quarterly basis & frank them to the maximum extent possible subject to the availability of profit reserves & franking credits.

### 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 stable stream of fully franked dividends to our shareholders.

The Board seeks 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

Whilst the portfolio is currently unhedged the Company may use forward foreign exchange contracts for risk management purposes.

### Significant changes in the state of affairs

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

### Events subsequent to balance sheet date

On 18 July 2024, the Board declared the final dividend of 1.35 cents per share fully franked at 30% for financial year 2023/2024. This dividend is not recognised as a liability at 30 June 2024 and has an ex-date of 30 August 2024 and will be paid on 16 September 2024.

During the period the Board determined that an on market buyback of shares would be the most effective means of reducing dilution arising from the issue of DRP shares at a discount to NTA, and will therefore seek to buyback at least the same number of shares to those issued under the DRP.

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## Directors' report (continued)

**Events subsequent to balance sheet date (continued)**

The after tax NTA per share of the Company at 9 August 2024 was $1.28, a decrease of 1.27% or $0.01 from the $1.29 recorded as at 30 June 2024.

For the period 01 July 2024 to 16 August 2024, the Company has purchased 37,340 shares for $40,701 as part of the ongoing share Buy Back policy.

Other than the above, the Directors are not aware of any other matter or circumstance not otherwise dealt within 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.

**Remuneration report (Audited)**

The Board presents the Remuneration Report for the Company for the year ended 30 June 2024, 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 2024 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 |
|---|---|---|
| Frank Gooch | Non-Executive Director and Chair | Appointed Independent Non-Executive Director 5 June 2017 and Chair 6 December 2017 |
| Russel Pillemer | Managing Director | Appointed Non-Executive Director 5 June 2017 and Managing Director 21 February 2019 |
| David Groves | Non-Executive Director | Appointed 13 January 2017 |
| Sandi Orleow | Independent Non-Executive Director and Chair of Audit, Risk & Compliance Committee | 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. All KMP held their positions for the whole of the year ended 30 June 2024.

**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):**

| | **30 June 2024** | 30 June 2023 | **Change** |
|---|---|---|---|
| | **$** | $ | **%** |
| Chair | **66,600** | 66,300 | 0.5 |
| Non-Executive Directors | **44,400** | 44,200 | 0.5 |
| Chair - Subcommittee | **5,550** | - | - |

## Directors' report (continued)

**Remuneration report (Audited) (continued)**

**b. Aggregate Fees Limit**

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

**c. Equity-based Remuneration**

Non-executive directors are remunerated by way of cash benefits. The Company currently has no intention to remunerate non-executive directors by any way other than cash benefits.

**d. Directors Remuneration**

The following table outlines the remuneration provided to NEDs for the years ended 30 June 2024 and 30 June 2023.

| **30 June 2024** | **Short-term benefits** | **Post-employment benefits** | **Total remuneration** |
|---|---|---|---|
| **Non-executive Directors** | Directors' fees $ | Superannuation $ | Total $ |
| Frank Gooch | **60,000** | **6,600** | **66,600** |
| David Groves | **43,300** | **1,100** | **44,400** |
| Sandi Orleow | **45,000** | **4,950** | **49,950** |
| | **148,300** | **12,650** | **160,950** |

| 30 June 2023 | Short-term benefits | Post-employment benefits | Total remuneration |
|---|---|---|---|
| Non-executive Directors | Directors' fees $ | Superannuation $ | Total $ |
| Frank Gooch | 60,000 | 6,300 | 66,300 |
| David Groves | 40,000 | 4,200 | 44,200 |
| Sandi Orleow | 40,000 | 4,200 | 44,200 |
| | 140,000 | 14,700 | 154,700 |

Russel Pillemer, who is also a Director and Chief Executive Officer of Pengana Capital Group Limited (ASX: PCG), the parent company of PIA's Investment Manager, is not remunerated by PIA. Since 2018, there has been no subsequent change to Directors Fees other than statutory Superannuation Guarantee increases, and in 2024, the Board approved a Directors fee increase to the Chair of the Company's Audit, Risk and Compliance Committee.

**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, Chair, Independent Non-executive Director and member of the Audit, Risk and Compliance Committee and of the Independent Board Committee***

- Commenced on 5 June 2017 (Appointed Chair 6 December 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 2024 of $66,600.

***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.

***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 2024 of $44,400.

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## Directors' report (continued)

**Remuneration report (Audited) (continued)**

**e. Service Agreements (continued)**

***Sandi Orleow, Independent Non-Executive Director and Chair of Audit, Risk & Compliance 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 2024 of $49,950.

**END OF AUDITED REMUNERATION 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 |
| Frank Gooch | 12 | 12 | 4 | 4 | - | - |
| Russel Pillemer | 12 | 10 | - | - | - | - |
| David Groves | 12 | 10 | 4 | 4 | - | - |
| Sandi Orleow | 12 | 12 | 4 | 4 | - | - |

**Directors Share Holdings**

Please see below details of Directors share holdings as at 30 June 2024.

| Director's shareholding | Held at 1 July 2023 | Purchases | Sales | Other | Held at 30 June 2024 |
|---|---|---|---|---|---|
| Frank Gooch | **70,000** | **-** | **-** | **-** | **70,000** |
| Russel Pillemer | **23,809** | **-** | **-** | **-** | **23,809** |
| David Groves | **52,446** | **-** | **-** | **-** | **52,446** |
| Sandi Orleow | **10,000** | **5,000** | **-** | **-** | **15,000** |

Russel Pillemer purchased an additional 88,524 shares between 30 June and the date of the directors report.

**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.

**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).

**Indemnification and Insurance of Directors and Officers**

The Company insures each of the Directors and Officers in office against liabilities for costs and expenses incurred by them in defending any

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## Directors' report (continued)

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 amount of premium paid in respect of 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
Chair
Sydney
19 August 2024

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Sydney NSW 2000 Australia
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**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 2024, 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;

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

c) no non-audit services provided that contravene any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Pengana International Equities Limited during the financial year.

Ernst & Young

Ernst & Young

Jaddus Manga
Partner
19 August 2024

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Liability limited by a scheme approved under Professional Standards Legislation

| | Note | Year ended 30 June 2024 $'000 | 30 June 2023 $'000 |
|---|---|---|---|
| **Investment Income** | | | |
| Interest received | | **395** | 292 |
| Dividend received | | **2,821** | 2,329 |
| Net gains/(losses) on financial instruments at fair value through profit or loss | | **50,141** | 53,117 |
| Foreign exchange gains/(losses) on foreign currency denominated cash | | **6** | (8) |
| Other operating income | | **-** | 1 |
| **Total investment income/ (loss)** | | **53,363** | 55,731 |
| Management fees | 2 | **(4,025)** | (3,556) |
| | | **(4,025)** | (3,556) |
| **Expenses** | | | |
| Directors' fees | | **(161)** | (155) |
| Audit and assurance fees | 2 | **(70)** | (70) |
| Brokerage expenses | | **(283)** | (77) |
| Share registry fees | | **(102)** | (104) |
| ASX listing fees | | **(95)** | (100) |
| Custody and administration fees | | **(101)** | (84) |
| Other expenses | | **(304)** | (323) |
| | | **(1,116)** | (913) |
| **Total expenses** | | **(5,141)** | (4,469) |
| **Profit/(loss) before income tax** | | **48,222** | 51,262 |
| Income tax expense | 3 | **(14,597)** | (12,906) |
| **Net profit/(loss) after income tax** | | **33,625** | 38,356 |
| Other comprehensive income for the year, net of tax | | **-** | - |
| **Total comprehensive income/(loss) for the year** | | **33,625** | 38,356 |
| Basic and diluted earnings per share (cents per share) | 4 | **13.08** | 14.96 |

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

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| | Note | As at 30 June 2024 $'000 | 30 June 2023 $'000 |
|---|---|---|---|
| **Assets** | | | |
| Cash and cash equivalents | 5 | **14,042** | 9,698 |
| Trade and other receivables | 6 | **279** | 843 |
| Financial assets at fair value through profit or loss | 7 | **337,501** | 304,745 |
| Current tax asset | | **-** | 264 |
| Deferred tax assets | 3 | **34** | 7,217 |
| **Total assets** | | **351,856** | 322,767 |
| **Liabilities** | | | |
| Trade and other payables | 8 | **2,097** | 507 |
| Current tax liabilities | | **15,614** | - |
| Deferred tax liabilities | 3 | **1,210** | 9,410 |
| **Total liabilities** | | **18,921** | 9,917 |
| **Net assets** | | **332,935** | 312,850 |
| **Equity** | | | |
| Issued capital | 9 | **319,552** | 319,212 |
| Profit reserve | 11 | **208,082** | 188,337 |
| Retained losses | 10 | **(194,699)** | (194,699) |
| **Total equity attributable to shareholders of the company** | | **332,935** | 312,850 |

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

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| | Note | Issued Capital $'000 | Profit Reserve $'000 | Retained Losses $'000 | Total $'000 |
|---|---|---|---|---|---|
| Balance at 1 July 2022 | | 318,407 | 163,823 | (194,699) | 287,531 |
| Profit for the year | | - | - | 38,356 | 38,356 |
| Transfer to profit reserve | | - | 38,356 | (38,356) | - |
| Transactions with shareholders in their capacity as owners: | | | | | |
| Dividend reinvestment plan issues | 9 | 1,189 | - | - | 1,189 |
| Dividends paid | 12 | - | (13,842) | - | (13,842) |
| Share buyback | 9 | (384) | - | - | (384) |
| Balance as at 30 June 2023 | | 319,212 | 188,337 | (194,699) | 312,850 |
| **Balance as at 1 July 2023** | | **319,212** | **188,337** | **(194,699)** | **312,850** |
| Profit for the year | | **-** | **-** | **33,625** | **33,625** |
| Transfer to profit reserve | | **-** | **33,625** | **(33,625)** | **-** |
| Transactions with shareholders in their capacity as owners: | | | | | |
| Dividend reinvestment plan issues | 9 | **1,145** | **-** | **-** | **1,145** |
| Dividends paid | 12 | **-** | **(13,880)** | **-** | **(13,880)** |
| Share buyback | 9 | **(805)** | **-** | **-** | **(805)** |
| **Balance at 30 June 2024** | | **319,552** | **208,082** | **(194,699)** | **332,935** |

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

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| | Note | Year ended 30 June 2024 $'000 | 30 June 2023 $'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Proceeds from sale of investments | | **421,503** | 75,537 |
| Payments for purchase of investments | | **(402,072)** | (63,289) |
| Brokerage expenses | | **(283)** | (77) |
| Dividends received | | **2,943** | 2,285 |
| Interest received | | **390** | 261 |
| Other income received | | **-** | 11 |
| Management fees paid | | **(4,007)** | (3,527) |
| Income tax refund/(paid) | | **264** | 1,564 |
| Payment to suppliers | | **(860)** | (856) |
| **Net cash inflow from operating activities** | 13 | **17,878** | 11,909 |
| **Cash flows from financing activities** | | | |
| Dividends paid | 12 | **(12,735)** | (12,653) |
| Share buyback | | **(805)** | (384) |
| **Net cash outflow from financing activities** | | **(13,540)** | (13,037) |
| Net increase/(decrease) in cash and cash equivalents | | **4,338** | (1,128) |
| Cash and cash equivalents at the beginning of the year | | **9,698** | 10,834 |
| Foreign exchange gains/(losses) on foreign currency denominated cash | | **6** | (8) |
| **Cash and cash equivalents at the end of the year** | 5 | **14,042** | 9,698 |

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

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## Contents of the notes to the financial statements

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## 1 Corporate information and summary of material accounting policies

The financial statements of Pengana International Equities Limited ("the Company"), for the year ended 30 June 2024 were authorised for issue in accordance with a resolution of the Directors on 19 August 2024. The Directors have the power to amend the financial statements after issue.

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 Suite 27.01, Level 27, Governor Phillip Tower, 1 Farrer Place 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 material 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 that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, with original maturities of three months or less.

**(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).

## 1 Corporate information and summary of material accounting policies (continued)

### (*d*) Financial assets and liabilities (continued)

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.

*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.

***(ii)*** *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.

***(iii)*** *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), the reporting and functional currency of the Company, 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 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 investment income.

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

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## 1 Corporate information and summary of material 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.

Upon adoption of AASB interpretation 23 *Uncertainity over Income Tax Treatments*, the Company considered whether it has any uncertain tax positions. The Company determined, based on its tax compliance, that it is probable that its tax treatments will be accepted by the taxation authorities. The interpretation did not have an impact on the financial statements of the Company as there is no uncertainty relating to any tax treatments.

### (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 has been passed onto the Company.

Where applicable, investment management fees, custodial fees and other expenses have been recognised in the statement of profit or loss and other 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 from current and prior 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.

### (k) New and amended standards and interpretations

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2024, and have not been early adopted in preparing these financial statements.

None of these are expected to have a material effect on the financial statements of the Fund.

### (l) Comparative figures

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

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## 2 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% (excluding GST and RITC) p.a. 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:

| | **30 June 2024** | 30 June 2023 |
|---|---|---|
| | **$'000** | $'000 |
| Management fees | **4,025** | 3,556 |

### 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% (excluding GST and RITC) 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 crystallisation hurdle. The method of calculating the fee is detailed in the Investment Management Agreement.

As at 30 June 2024, performance fees paid and payable was nil (30 June 2023: nil).

| | **30 June 2024** | 30 June 2023 |
|---|---|---|
| | **$'000** | $'000 |
| Performance fees | **-** | - |

### 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.

| | **30 June 2024** | 30 June 2023 |
|---|---|---|
| | **$'000** | $'000 |
| **Ernst & Young** | | |
| **Audit and assurance services** | | |
| Audit and review of financial statements | **70** | 70 |
| **Total remuneration for audit and other assurance services** | **70** | 70 |
| **Non-assurance services** | | |
| Tax compliance services | **7** | 7 |
| **Total remuneration for taxation services** | **7** | 7 |
| **Total remuneration of Ernst & Young** | **77** | 77 |

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## 3 Income tax expense

| | Year ended | |
|---|---|---|
| | **30 June 2024** | 30 June 2023 |
| | **$'000** | $'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** | **48,222** | 51,262 |
| Prima facie income tax expense on net profit at 30.0% (2023: 25.0%) | **(14,467)** | (12,815) |
| Effect on deferred tax rate change from 25.0% to 30.0% | **(439)** | - |
| Foreign withholding tax | **443** | 1 |
| Adjustments to prior period | **(134)** | (92) |
| | **(14,597)** | (12,906) |
| **b. The major components of income tax expense are:** | | |
| Current income tax benefit/(expense) | **(15,614)** | - |
| Adjustment for deferred tax of prior period due to change in tax rate | **(439)** | (6) |
| Deferred income tax benefit/(expense) | **1,456** | (12,900) |
| | **(14,597)** | (12,906) |
| **c. Deferred tax liabilities relate to the following:** | | |
| Net unrealised gain on investments | **(1,173)** | (9,349) |
| Other temporary differences | **(37)** | (61) |
| | **(1,210)** | (9,410) |
| **d. Deferred tax assets relate to the following:** | | |
| Costs associated with the issue of shares | **-** | 1 |
| Other temporary differences | **34** | 34 |
| Unused income tax losses for which deferred tax asset has been recognised | **-** | 7,182 |
| | **34** | 7,217 |

Under the provisions of the tax legislation, a company will qualify for the lower company tax rate of 25% for the financial year 2023/2024 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 ($50m for the financial year 2023/2024).

The Company's “aggregated turnover” for the financial year 2023/2024 was $116.6m.

As the Company’s “aggregated turnover” for the financial year 2023/2024 was more than $50 million, the Company did not satisfy the definition of base rate entity for the financial year 2023/2024. The tax rate for financial year 2023/2024 was 30%.

## 4 Earnings per share (EPS)

| | **30 June 2024** | 30 June 2023 |
|---|---|---|
| | **$'000** | $'000 |
| Net profit/(loss) after income tax used in the calculation of basic and diluted EPS | **33,625** | 38,356 |
| | **No. of Shares** | No. of Shares |
| Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS | **257,082,452** | 256,468,448 |
| Weighted average number of ordinary shares outstanding during the year used in calculation of diluted EPS | **257,082,452** | 256,468,448 |

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

## 5 Cash and cash equivalents

| | As at | |
|---|---|---|
| | **30 June 2024** | 30 June 2023 |
| | **$'000** | $'000 |
| Cash at custodian | **14,042** | 9,698 |
| | **14,042** | 9,698 |

## 6 Trade and other receivables

| | As at | |
|---|---|---|
| | **30 June 2024** | 30 June 2023 |
| | **$'000** | $'000 |
| Dividends receivable | **107** | 229 |
| Interest receivable | **38** | 33 |
| Outstanding investment settlements receivable | **-** | 461 |
| GST receivable | **87** | 73 |
| Other receivables | **47** | 47 |
| | **279** | 843 |

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

## 7 Financial assets at fair value through profit or loss

| | As at | |
|---|---|---|
| | **30 June 2024** | 30 June 2023 |
| | **$'000** | $'000 |
| Listed shares | **337,501** | 304,745 |
| | **337,501** | 304,745 |

## 8 Trade and other payables

| | As at | |
|---|---|---|
| | **30 June 2024** | 30 June 2023 |
| | **$'000** | $'000 |
| Management fees payable | **327** | 309 |
| Due to brokers | **1,713** | 128 |
| Other expenses payable | **57** | 70 |
| | **2,097** | 507 |

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

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## 9 Issued capital

| | **30 June 2024 No. of shares** | 30 June 2023 No. of shares |
|---|---|---|
| **Issued ordinary shares at the beginning of the reporting period** | **256,842,806** | 256,031,671 |
| Dividends reinvested (DRP) | **1,046,473** | 1,234,932 |
| Share buyback | **(716,586)** | (423,797) |
| **Issued ordinary shares at reporting date** | **257,172,693** | 256,842,806 |

| | **30 June 2024 $'000** | 30 June 2023 $'000 |
|---|---|---|
| **Issued ordinary shares at the beginning of the reporting period** | **319,212** | 318,407 |
| Dividends reinvested (DRP) | **1,145** | 1,189 |
| Share buyback | **(805)** | (384) |
| **Issued ordinary shares at reporting date** | **319,552** | 319,212 |

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**

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. The Board has adopted a dividend policy to pay dividends on a quarterly basis & frank them to the maximum extent possible subject to the availability of profit reserves & franking credits.

During the year the Board determined that an on-market buyback of shares would minimise any dilution arising from the operation of the DRP. Effectively, all of the DRP shares issued in respect of the March 2024 and June 2024 dividends were bought back as well as 71% of the December 2023 dividend DRP shares.

During the year ended 30 June 2024, the Company paid dividends of $13,879,597 (30 June 2023: $13,842,276).

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.

## 10 Retained losses

| | **As at** | |
|---|---|---|
| | **30 June 2024 $'000** | 30 June 2023 $'000 |
| Balance at the beginning of the year | **(194,699)** | (194,699) |
| Current year profit/(loss) | **33,625** | 38,356 |
| Transfer to profit reserve | **(33,625)** | (38,356) |
| **Balance at the end of the year** | **(194,699)** | (194,699) |

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## 11 Profit reserve

| | As at | |
|---|---|---|
| | **30 June 2024** | 30 June 2023 |
| | **$'000** | $'000 |
| Balance at the beginning of the year | **188,337** | 163,823 |
| Transfer from retained earnings | **33,625** | 38,356 |
| Final fully franked dividend, franked at 25%, of 1.35 cents paid 15 September 2023 (2023: 1.35 cents fully franked at 25%). | **(3,467)** | (3,457) |
| Interim fully franked dividends, franked at 25%, of 1.35 cents paid on 15 December, 15 March and 15 June 2024 (2023: 1.35 cents fully franked at 25%) | **(10,413)** | (10,385) |
| **Balance at the end of the year** | **208,082** | 188,337 |

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

## 12 Dividends

| | Year ended | |
|---|---|---|
| | **30 June 2024** | 30 June 2023 |
| | **$'000** | $'000 |
| **a. Dividends paid** | | |
| Final fully franked dividend, franked at 25%, of 1.35 cents paid 15 September 2023 (2023: 1.35 cents fully franked at 25%). | **3,467** | 3,457 |
| Interim fully franked dividends, franked at 25%, of 1.35 cents paid on 15 December, 15 March and 15 June 2024 (2023: 1.35 cents fully franked at 25%) | **10,413** | 10,385 |
| | **13,880** | 13,842 |
| **b. Dividend reinvestment plan** | | |
| Final fully franked dividend, franked at 25%, of 1.35 cents paid 15 September 2023 (2023: 1.35 cents fully franked at 25%). | **(291)** | (293) |
| Interim fully franked dividends, franked at 25%, of 1.35 cents paid 15 December, 15 March and 15 June 2024 (2023: 1.35 cents fully franked at 25%) | **(854)** | (896) |
| | **(1,145)** | (1,189) |
| **Net dividends paid in cash** | **12,735** | 12,653 |
| **c. Franking account** | | |
| Balance at the beginning of the year | **8,369** | 14,547 |
| Franking credits from tax paid/(refund) | **(264)** | (1,564) |
| Payment of interim fully franked dividends | **(3,471)** | (3,462) |
| Prior year final fully franked dividend | **(1,156)** | (1,152) |
| **Franking account balance at year end** | **3,478** | 8,369 |
| Declared but not paid final fully franked dividend | **(1,488)** | (1,156) |
| **Franking account balance post payment of final dividend** | **1,990** | 7,213 |

On 18 July 2024, the Board declared the final dividend of 1.35 cents per share fully franked at 30% for financial year 2023/2024. This dividend is not recognised as a liability at 30 June 2024 and has an ex-date of 30 August 2024 and will be paid on 16 September 2024.

As at 30 June 2024, the $1.99m franking account balance post payment of final dividend is equivalent to 0.77 cents (2023: 2.81 cents) per share, which equates to approx 1.80 cents per share of fully franked dividends 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. The Company expects to pay approximately $15.6m in tax for the financial year 2023/2024, which will increase the franking account balance to $17.59 million or 15.96 cents per share, post payment of the declared final dividend.

Under the provisions of the tax legislation, a company will qualify for the lower company tax rate of 25% for the financial year 2023/2024 if it is a “base rate entity” for the income year. A company is a “base rate entity” for an income year only if:

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## 12 Dividends (continued)

- 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 ($50m for the financial year 2023/2024).

The Company's "aggregated turnover" for the financial year 2023/2024 was $116.6m.

As the Company's "aggregated turnover" for the financial year 2023/2024 was more than $50 million, the Company did not satisfy the definition of base rate entity for the financial year 2023/2024. Dividends paid by the Company during the 2024/2025 financial year will be franked at 30%.

## 13 Cash flow information

| | Year ended | |
|---|---|---|
| | **30 June 2024** | 30 June 2023 |
| | **$'000** | $'000 |
| **(a) Reconciliation of net cash flow from operating activities to net (loss)/profit after income tax:** | | |
| Net profit/(loss) after income tax | **33,625** | 38,356 |
| Change in fair value of investments and foreign cash held | **(50,147)** | (53,109) |
| Proceeds from sale of investments | **421,503** | 75,537 |
| Payments for purchase of investments | **(402,072)** | (63,289) |
| Change in other receivables | **103** | (65) |
| Change in other payables | **5** | 9 |
| Net change in deferred tax asset and liability | **(1,017)** | 12,899 |
| Change in income tax receivables/payables | **15,878** | 1,571 |
| **Net cash inflow from operating activities** | **17,878** | 11,909 |
| **(b) Non-cash financing activities** | | |
| Issue of shares under the dividend reinvestment plan (DRP) | **1,145** | 1,189 |
| | **1,145** | 1,189 |

## 14 Financial risk management

The Company holds the following financial instruments:

| | **30 June 2024** | 30 June 2023 |
|---|---|---|
| | **$'000** | $'000 |
| **Financial assets** | | |
| Cash and cash equivalents | **14,042** | 9,698 |
| Trade and other receivables | **279** | 843 |
| Financial assets at fair value through profit or loss | **337,501** | 304,745 |
| | **351,822** | 315,286 |
| **Financial liabilities** | | |
| Trade and other payables | **2,097** | 507 |
| | **2,097** | 507 |

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.

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## 14 Financial risk management (continued)

**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 $337.5m (2023: $304.7m).

***Sensitivity analysis***

At reporting date, if the equity prices had been 10% higher or 15% lower, profit before income tax of the Company would have increased by $33.8m or decreased by $50.6m (2023: profit increased by $30.5m or decreased by $45.7m).

The analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis as for 2023.

The Company has no concentrations in individual equity positions exceeding **5.0%** (2023: 4.3%) or more of the Company's equity portfolio other than below:

| Company | Fair value $'000 | % | Business description |
|---|---|---|---|
| **30 June 2024** | | | |
| Microsoft Corporation | **16,939** | **5.0%** | Information Technology |
| 30 June 2023 | | | |
| Schneider Electric Se | 13,109 | 4.3% | Industrials |

*(ii) Foreign exchange risk*

As at 30 June 2024 the portfolio (net assets excluding net tax liabilities) was invested 96.5% in international equities (2023: 96.7%). The portfolio had an exposure to foreign cash and investments of $338m (2023: $305m).

The Company did not use forward foreign exchange contracts during the year to 30 June 2024. There were no forward exchange hedging contracts held as at 30 June 2024 and 30 June 2023.

***Sensitivity analysis***

At reporting date a 10% strengthening/weakening of the Australian Dollar at 30 June 2024 would have decreased/increased profit or loss before income tax by $33.8m (2023: $45.7m). The analysis assumes that all other variables, in particular interest rates, remain constant. The sensitivity analysis has been performed under the assumption that the Australian Dollar strengthened or weakened +/-10% (2023:+/-15%) against the major currencies to which the Company is exposed.

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## 14 Financial risk management (continued)

### a. Market risk (continued)

*(ii) Foreign exchange risk (continued)*

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

| **30 June 2024** | **Cash** | **Investments** | **Trade and other receivables/ payables & Dividend payable** | **Tax asset/ liability** | **Total** |
|---|---|---|---|---|---|
| **Assets (AUD)** | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** |
| Australian Dollar | **14,015** | **-** | **169** | **34** | **14,218** |
| Euro | **-** | **33,738** | **-** | **-** | **33,738** |
| United States Dollar | **26** | **249,398** | **63** | **-** | **249,487** |
| Danish Krone | **-** | **2,693** | **-** | **-** | **2,693** |
| Hong Kong Dollar | **-** | **8,972** | **-** | **-** | **8,972** |
| British Pound | **-** | **9,140** | **-** | **-** | **9,140** |
| Indonesian Rupiah | **-** | **2,950** | **-** | **-** | **2,950** |
| Swedish Krona | **-** | **7,576** | **-** | **-** | **7,576** |
| Swiss Franc | **-** | **5,604** | **-** | **-** | **5,604** |
| Brazilian Real | **-** | **1,961** | **15** | **-** | **1,976** |
| Japanese Yen | **-** | **15,103** | **32** | **-** | **15,135** |
| Mexican Peso | **1** | **366** | **-** | **-** | **367** |
| | **14,042** | **337,501** | **279** | **34** | **351,856** |
| **Liabilities (AUD)** | | | | | |
| Australian Dollar | **-** | **-** | **384** | **16,824** | **17,208** |
| United States Dollar | **-** | **-** | **1,346** | **-** | **1,346** |
| | **-** | **-** | **2,097** | **16,824** | **18,921** |

| 30 June 2023 | Cash | Investments | Trade and other receivables/ payables | Tax asset/ liability | Total |
|---|---|---|---|---|---|
| Assets (AUD) | $'000 | $'000 | $'000 | $'000 | $'000 |
| Australian Dollar | 9,668 | | 153 | 7,481 | 17,302 |
| Euro | - | 31,534 | - | - | 31,534 |
| United States Dollar | 30 | 211,380 | 583 | - | 211,993 |
| Danish Krone | - | 4,275 | - | - | 4,275 |
| Hong Kong Dollar | - | 9,623 | 47 | - | 9,670 |
| British Pound | - | 5,633 | - | - | 5,633 |
| Indonesian Rupiah | - | 8,459 | - | - | 8,459 |
| Swedish Krona | - | 12,682 | - | - | 12,682 |
| Swiss Franc | - | 6,130 | - | - | 6,130 |
| Brazilian Real | | 3,393 | 24 | - | 3,417 |
| Chinese Yuan | - | 11,636 | 36 | - | 11,672 |
| | 9,698 | 304,745 | 843 | 7,481 | 322,767 |
| Liabilities (AUD) | | | | | |
| Australian Dollar | - | - | 379 | 9,410 | 9,789 |
| Swiss Franc | - | - | 128 | - | 128 |
| | - | - | 507 | 9,410 | 9,917 |

*(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.

| | **30 June 2024** | 30 June 2023 |
|---|---|---|
| | **$'000** | **$'000** |
| **Cash and cash equivalents** | | |
| Cash balance subject to floating interest rate | 14,042 | 9,698 |

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## 14 Financial risk management (continued)

### 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 2024, trade and other receivables, and cash are held with counterparties with a credit rating of A-1 or higher (2023: 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).

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 average volume 100% of the portfolio could be realised in one month (2023: 100% in one month).

***Maturities of financial liabilities***

Financial liabilities held by the Company include management fees payable to the Investment Manager, due to brokers and other payables. The below table shows the maturities of financial liabilities held by the Company.

| **30 June 2024**<br>**Financial liabilities** | **Less than 1 month**<br>**$'000** | **1 to 3 months**<br>**$'000** | **3 to 6 months**<br>**$'000** | **6 to 12 months**<br>**$'000** | **Total**<br>**$'000** |
|---|---|---|---|---|---|
| Due to brokers | **1,713** | **-** | **-** | **-** | **1,713** |
| Other payables | **384** | **-** | **-** | **-** | **384** |
| Current tax liabilities | **-** | **-** | **-** | **15,614** | **15,614** |
| **Total** | **2,097** | **-** | **-** | **15,614** | **17,711** |

| 30 June 2023<br>Financial liabilities | Less than 1 month<br>$'000 | 1 to 3 months<br>$'000 | 3 to 6 months<br>$'000 | 6 to 12 months<br>$'000 | Total<br>$'000 |
|---|---|---|---|---|---|
| Due to brokers | 128 | - | - | - | 128 |
| Other payables | 379 | - | - | - | 379 |
| Total | 507 | - | - | - | 507 |

### 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).

The transfers between levels only happen at the end of the reporting period.

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

| **30 June 2024**<br>**Financial assets** | **Level 1**<br>**$'000** | **Level 2**<br>**$'000** | **Level 3**<br>**$'000** | **Total**<br>**$'000** |
|---|---|---|---|---|
| Listed investments at fair value | **337,501** | **-** | **-** | **337,501** |
| **Total** | **337,501** | **-** | **-** | **337,501** |

## 14 Financial risk management (continued)

### d. Net fair values (continued)

| 30 June 2023 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Financial assets | $'000 | $'000 | $'000 | $'000 |
| Listed investments at fair value | 304,745 | - | - | 304,745 |
| Total | 304,745 | - | - | 304,745 |

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

## 15 Related party transactions

**Details of key management personnel**

Key Management Personnel (KMP) for the year ended 30 June 2024 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 date |
|---|---|---|
| Frank Gooch | Non-Executive Director and Chair | Appointed Independent Non-Executive Director 5 June 2017 and Chair 6 December 2017 |
| Russel Pillemer | Managing Director | Appointed Non-Executive Director 5 June 2017 and Managing Director 21 February 2019 |
| David Groves | Non-Executive Director | Appointed 13 January 2017 |
| Sandi Orleow | Independent Non-Executive Director and Chair of Audit, Risk & Compliance Committee | 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. All KMP held their positions for the whole of the year ended 30 June 2024.

**Related party transactions**

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

For year ended 30 June 2024, performance fees paid and payable were nil (30 June 2023: nil).

| | **30 June 2024** | 30 June 2023 |
|---|---|---|
| | **$** | $ |
| **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. | **(63,234)** | (61,154) |
| **b. Pengana Investment Management Limited (Investment Manager)** | | |
| Management fees paid and payable as governed by the Investment Management Agreement | **(4,025,058)** | (3,555,630) |

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## 16 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.

## 17 Subsequent events

On 18 July 2024, the Board declared the final dividend of 1.35 cents per share fully franked at 30% for financial year 2023/2024. This dividend is not recognised as a liability at 30 June 2024 and has an ex-date of 30 August 2024 and will be paid on 16 September 2024.

The after tax NTA per share of the Company at 9 August 2024 was $1.28, a decrease of 1.27% or $0.01 from the $1.29 recorded as at 30 June 2024.

For the period 01 July 2024 to 16 August 2024, the Company has purchased 37,340 shares for $40,701 as part of the ongoing share Buy Back policy.

Other than the above, the Directors are not aware of any other matter or circumstance not otherwise dealt within 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.

## 18 Contingent liabilities

There were no contingent liabilities at 30 June 2024 and 30 June 2023 that required disclosure.

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## Consolidated entity disclosure statememt

Disclosure of subsidiaries and their country of tax residency, as required by the Corporations Act 2001, does not apply to the company as the company is not required by accounting standards to prepare consolidated financial statements and, the company does not have any investments requiring consolidation.

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## 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 2024 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 2024 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; and

d) the consolidated entity disclosure statement required by section 295(3A) of the Corporations Act is true and correct.

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 2024.

On behalf of the Board,

Frank Gooch
Chair
Sydney
19 August 2024

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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 2024, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements, including material accounting policy information, the consolidated entity disclosure statement and the directors' declaration.

In our opinion, the accompanying financial report of the Company is in accordance with the *Corporations Act 2001*, including:

a. Giving a true and fair view of the Company's financial position as at 30 June 2024 and of its financial performance for the year ended on that date; and

b. 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 APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (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.

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## 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 2024, the value of these listed equities, was A$337,500,681 which equates to 96% of the total assets of the Company.<br><br>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.<br><br>Pricing, exchange rates and other market drivers can have a significant impact on the value of these financial assets and the financial report.<br><br>Accordingly, valuation of the investment portfolio was considered a key audit matter. | Our audit procedures included the following:<br><br>Assessed the effectiveness of the controls relating to the recognition and valuation of investments.<br><br>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 2024 and assessed the auditor's qualifications, competence and objectivity, and results of their procedures.<br><br>Agreed all investment holdings, including cash accounts, to third party confirmations at 30 June 2024.<br><br>Assessed the fair value of all investments in the portfolio held at 30 June 2024 to independently sourced market prices.<br><br>We also assessed the adequacy and appropriateness of the disclosures included in Note 14 to the financial report in accordance with the requirements of Australian Accounting Standards. |

## Management and Performance Fees

| Why significant | How our audit addressed the key audit matter |
|---|---|
| For the year ended 30 June 2024, management and performance fees paid to the service provider, Pengana Investment Management Limited, totalled A$4,025,058 and Nil respectively, which equates to 78% of total expenses and are the most significant operating expense for the Company.<br><br>The Company's accounting policy for management and performance fees is disclosed in Note 2 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 | Our audit procedures included the following:<br><br>Assessed the effectiveness of the relevant controls in relation to the calculation of management and performance fees at the service provider responsible for the calculation.<br><br>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 2024 and assessed the auditor's qualifications, competence and objectivity and results of their procedures. |

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| Why significant | How our audit addressed the key audit matter |
|---|---|
| performance criteria is met and the liability has been crystallised.<br><br>The quantum of these expenses and the impact that market volatility can have on the quantum of performance fees resulted in this being a key audit matter. The disclosure of these amounts is included in Note 2 to the financial report. | Recalculated management fees, in accordance with the relevant Services agreement, including agreeing the fee rate to the calculation.<br><br>Recalculated the performance fee, including testing the inputs into the calculation model and whether the calculation was in line with the relevant Services agreement.<br><br>Assessed that the criteria for accrual of a performance fee were not met and no fee liability was accrued at 30 June 2024.<br><br>We also assessed the adequacy and appropriateness of the disclosures included Note 2 to the financial report in accordance with the requirements of Australian Accounting Standards. |

## Information other than the financial report and auditor's report thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's 2024 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, with the exception of the Remuneration Report and our related assurance opinion.

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:

a. The financial report (other than the consolidated entity disclosure statement) that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001*; and;

b. The consolidated entity disclosure statement that is true and correct in accordance with the *Corporations Act 2001*, and

for such internal control as the directors determine is necessary to enable the preparation of:

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i. The financial report (other than the consolidated entity disclosure statement) that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and

ii. The consolidated entity disclosure statement that is true and correct and is free of 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 to 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 of the Company.

- 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.

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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, actions taken to eliminate threats or safeguards applied.

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 9 to 10 of the directors' report for the year ended 30 June 2024.

In our opinion, the Remuneration Report of Pengana International Equities Limited for the year ended 30 June 2024, 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

Jaddus Manga
Partner
Sydney
19 August 2024

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## ASX additional information

The shareholder information set out below was applicable as at 25 July 2024.

### 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 | 436 | 172,380 |
| 1,001 - 5,000 | 896 | 2,918,542 |
| 5,001 - 10,000 | 989 | 8,090,573 |
| 10,001 - 100,000 | 2,984 | 96,756,375 |
| 100,001 and over | 341 | 149,234,823 |
| **Total** | 5,646 | 257,172,693 |

| Range | Holders |
|---|---|
| Holders holding less than a marketable parcel | 247 |

### 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 | 11.95 |
| Wilson Asset Management Group | 19,148,075 | 7.45 |
| Saba Capital Management GP, L.L.C. | 15,551,015 | 6.05 |

### 20 Largest shareholders - ordinary shares

| | Number of ordinary shares | % of total issued ordinary shares |
|---|---|---|
| Washington H Soul Pattinson And Company Limited | 24,370,580 | 9.48 |
| Citicorp Nominees Pty Limited | 21,420,164 | 8.33 |
| BNP Paribas Nominees Pty Ltd Barclays | 7,941,009 | 3.09 |
| HSBC Custody Nominees (Australia) Limited | 7,908,216 | 3.08 |
| Netwealth Investments Limited | 4,437,000 | 1.73 |
| Pengana Capital Ltd | 3,454,815 | 1.34 |
| BNP Paribas Nominees Pty Ltd Hub24 Custodial Serv Ltd | 2,762,242 | 1.07 |
| Netwealth Investments Limited | 2,220,770 | 0.86 |
| Pengana Investment Management Limited | 2,042,720 | 0.79 |
| BNP Paribas Nominees Pty Ltd | 2,000,000 | 0.78 |
| Pengana Investment Management Ltd | 1,412,095 | 0.55 |
| Mr Anthony John Simmonds & Mrs Maureen Simmonds | 1,255,576 | 0.49 |
| Mr Orlando Berardino Di Iulio & Ms Catharina Maria Koopman | 900,000 | 0.35 |
| Ditech Pty Ltd | 700,000 | 0.27 |
| Ms Carolyn Margaret Earl & Mr John William Nissen | 675,000 | 0.26 |
| Sanctuary Gate Pty Ltd | 650,000 | 0.25 |
| Mrs Jean Thyne Hadges | 643,095 | 0.25 |
| HSBC Custody Nominees (Australia) Limited | 639,535 | 0.25 |
| IOOF Investment services Limited | 613,999 | 0.24 |
| Dove House Super Pty Ltd | 606,551 | 0.24 |

As at 25 July 2024 there were 5,646 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:

- Cheque 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
- Dividend reinvenstment - shareholders can elect to reinvest their dividends under the terms of the Company's Dividend Reinvestmemt Plan, available from the Company's website www.pengana.com/pia

### Transaction in securities

| | **30 June 2024** | 30 June 2023 |
|---|---|---|
| Total number of transactions in securities during the year | **675** | 568 |
| Total brokerage paid or accrued during the year | **283,255** | 76,507 |

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## Investments at market value as at 30 June 2024 (unaudited)

| Company Name | Security Code | Market Value $'000 | % of Gross Assets |
|---|---|---|---|
| **Communication Services** | | | |
| Scout24 AG | BYT9340 | 3,340 | 1.0 % |
| Tencent Holdings Ltd | BMMV2K8 | 6,821 | 2.0 % |
| Netflix Inc | 2857817 | 10,182 | 2.9 % |
| Meta Platforms Inc | B7TL820 | 16,501 | 4.7 % |
| Alphabet Inc | BYVY8G0 | 16,224 | 4.6 % |
| Pinterest Inc | BJ2Z0H2 | 7,337 | 2.1 % |
| | | **60,405** | **17.3 %** |
| **Consumer Discretionary** | | | |
| Kering SA | PINEFR | 3,062 | 0.9 % |
| Sony Corp | SONJPY | 6,056 | 1.7 % |
| Amazon.com Inc | AMAUSD | 15,758 | 4.5 % |
| Booking Holdings Inc | BDRXDB4 | 3,945 | 1.1 % |
| | | **28,821** | **8.2 %** |
| **Consumer Staples** | | | |
| L'Oreal SA | LOREFR | 5,228 | 1.5 % |
| Haleon PLC | BMX86B7 | 2,729 | 0.8 % |
| Walmart de Mexico | BW1YVH8 | 366 | 0.1 % |
| Costco Wholesale Corp | CSTUSD | 4,005 | 1.2 % |
| | | **12,328** | **3.5 %** |
| **Financials** | | | |
| B3 SA Brasil Bolsa | BG36ZK1 | 1,961 | 0.6 % |
| Adyen NV | BZ1HM42 | 2,606 | 0.7 % |
| AIA Group Ltd | B4TX8S1A | 2,151 | 0.6 % |
| Bank Central Asia TB | B01C1P6 | 2,950 | 0.8 % |
| HDFC Bank Ltd | 2781648 | 2,820 | 0.8 % |
| CME Group Inc | 2965839 | 6,003 | 1.7 % |
| Tradeweb Market Inc | BJXMVK2 | 5,076 | 1.5 % |
| | | **23,567** | **6.7 %** |
| **Health Care** | | | |
| Roche Holding AG | ROCCHF | 2,629 | 0.8 % |
| Genmab A/S | 4595739 | 2,693 | 0.8 % |
| Chugai Pharmaceutical | CHPJPY | 4,890 | 1.4 % |
| Repligen Corp | 2731654 | 2,133 | 0.6 % |
| United Health Group | 2917766 | 6,365 | 1.8 % |
| Vertex Pharmaceutica | 2931034 | 15,186 | 4.3 % |
| AbbVie Inc | B92SR70 | 3,942 | 1.1 % |
| Alcon AG | BJXBP41 | 8,139 | 2.3 % |
| Intuitive Surgical | ISRUSD | 5,241 | 1.5 % |
| Thermo Fisher Scient | THEUSD | 8,876 | 2.5 % |
| Danaher Corp | DHRUSD | 7,164 | 2.1 % |
| | | **67,258** | **19.2 %** |
| **Industrials** | | | |
| SGS SA | BMBQHZ4 | 2,974 | 0.9 % |
| Schneider Electric | SCHEFR | 15,615 | 4.5 % |
| Diploma PLC | 182663 | 4,175 | 1.2 % |
| Spirax-Sarco Engineering | BWFGQN1 | 2,236 | 0.6 % |
| Misumi Group Inc | 6595179 | 1,334 | 0.4 % |
| Atlas Copco AB | BLDBN41 | 4,333 | 1.2 % |
| Epiroc AB | BMD58R8 | 3,243 | 0.9 % |
| Deere & Co | 2261203 | 8,087 | 2.3 % |
| Atkore International | BDHF495 | 6,636 | 1.9 % |
| Rockwell Automation | ROKUSD | 8,833 | 2.5 % |
| | | **57,466** | **16.4 %** |
| **Information Technology** | | | |
| Keyence Corp | 6490995 | 2,824 | 0.8 % |
| Adobe Inc | 2008154 | 4,971 | 1.4 % |
| Apple Inc | 2046251 | 4,038 | 1.2 % |
| Salesforce.com Inc | 2310525 | 7,323 | 2.1 % |
| SAP SE | 2775135 | 6,292 | 1.8 % |
| Applied Materials Inc | APMUSD | 6,266 | 1.8 % |

## Investments at market value as at 30 June 2024 (unaudited) (continued)

| Company Name | Security Code | Market Value $'000 | % of Gross Assets |
|---|---|---|---|
| Accenture PLS | B4BNMY3 | 5,513 | 1.6 % |
| Servicenow Inc | B80NXX8 | 5,275 | 1.5 % |
| ASML Holding NV | B908F01 | 3,377 | 1.0 % |
| Broadcom Inc | BDZ78H9 | 5,714 | 1.6 % |
| Globant SA | BP40HF4 | 2,934 | 0.8 % |
| Microsoft Corp | MICUSD | 16,939 | 4.8 % |
| Synopsys Inc | SNPUSD | 4,095 | 1.2 % |
| Taiwan Semiconductor | TAIUSD | 4,997 | 1.4 % |
| | | **80,558** | **23.0 %** |
| **Materials** | | | |
| Symrise AG | B1JB4K8 | 3,887 | 1.1 % |
| | | **3,887** | **1.1 %** |
| **Real Estate** | | | |
| Costar Group Inc | 2262864 | 3,211 | 0.9 % |
| | | **3,211** | **0.9 %** |
| **Total Portfolio** | | **337,501** | **96.5 %** |

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**Registry**
Computershare Investor Services Pty Limited, 6 Hope St, Ermington NSW 2115. 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 Investment Manager), under an Investment Management Agreement dated 29 January 2004, to manage the investment portfolio of the Company. The Investment 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% (excluding GST and RITC) 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% (excluding GST and RITC) 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.

**Distribution support**
The Manager shall use commercially reasonable endeavours to promote PIA and distribute the Securities of PIA to current and prospective investors or procure the provision of such promotional and distribution services.

**PRINCIPAL AND REGISTERED OFFICE**

**Pengana International Equities Limited**
Suite 27.01, Level 27, Governor Phillip Tower, 1 Farrer Place
Sydney, NSW 2000 Australia
Telephone (61 2) 8524 9900
Facsimile (61 2) 8524 9901
Website www.pengana.com
Email clientservice@pengana.com

**INVESTMENT MANAGER**

**Pengana Investment Management Limited**
Suite 27.01, Level 27, Governor Phillip Tower, 1 Farrer Place
Telephone (61 2) 8524 9900
Facsimile (61 2) 8524 9901
Website www.pengana.com
Email clientservice@pengana.com

**INVESTMENT TEAM FOR PIA**

**Harding Loevner**
400 Crossing Blvd
Fourth Floor Bridgewater Township
New Jersey 08807, United States

**DIRECTORS**

**Frank Gooch**
*Independent Non-Executive Director and Chair*

**Russel Pillemer**
*Managing Director*

**David Groves**
*Non-Executive Director*

**Sandi Orleow**
*Independent Non-Executive Director*

**COMPANY SECRETARY**

**Paula Ferrao**

**AUDITOR**

**Ernst & Young**
200 George Street
Sydney NSW 2000
Australia

**SHARE REGISTRY**

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