Responsible Investment Framework, 2021

The Pengana Global Small Companies Fund (the Fund) has been managed with the same investment philosophy by Lizard Investors since its inception in 2015. Our goal is to first and foremost provide clients with investment strategies that meet their needs and deliver strong risk-adjusted, long-term performance. As fiduciaries of our clients' assets, we employ a disciplined investment process that seeks to both uncover opportunities and evaluate potential risks while striving for the best possible return outcomes within our investment guidelines. Fundamental analysis is the foundation of our investment decisions.

This document describes the Fund's approach to Responsible Investing. The Fund is managed independently from Pengana's other funds, all of which have different investment processes and approaches to Responsible Investing and the incorporation of Environmental, Social and Governance (ESG) factors. It should be read in conjunction with Pengana Capital Group's ESG policy. Pengana Capital is a signatory to the Principles for Responsible Investment (PRI), and a member of the Responsible Investment Association of Australia (RIAA).

Motives and Beliefs

We believe that companies that consider ESG factors are well positioned for sustainable growth and profitability over the long term. Through our bottom-up investment approach, we endeavour to understand the long-term sustainability of a company's business model, and the factors that could cause it to change. We believe that ESG factors can potentially influence investment risk and return and, therefore, incorporate ESG risk considerations into our fundamental investment analysis.

Incorporation

ESG factors are considered as part of the bottom-up analysis undertaken on each stock and form part of the qualitative assessment. They are seen primarily as a risk management tool, with ESG issues considered for both their short-term and long-term impact and hence their materiality to a stock.

We do not implement a process that filters certain classes out of our investable universe, however we may consider all three factors when we research a company.

We focus on high-quality value-creating companies trading below their intrinsic value and have identified what we believe are the most important drivers as the strength or weakness of a business model. We look for these qualities and construct the portfolio within a five-category framework. These categories are:

1. corporate governance,
2. sustainable business model,
3. strong balance sheet,
4. disciplined management, and
5. compelling valuation.

Corporate governance specifically is one of the core categories within our investment framework and a main factor when we determine validity of our investment thesis in a company. Considerations include strength of management team, business conduct and ethics, company policies and standards, transparency, corporate culture, and remuneration. We believe strong corporate governance, integrity and accountability help to protect minority stakeholders and are necessary for long-term value creation.

We consider social and environmental effects when determining the viability of a business model and its sustainability and longevity. A sustainable business model may create, deliver, and capture value for all its stakeholders without depleting the natural, economic, and social capital it relies on. It scales effectively without diminishing returns or increasing the risk of failure. It increases differentiation and competitiveness.

ESG related information is derived from contact with companies, as well as information from external sources such as suppliers, competitors, and brokers. Relevant information is also derived from our extensive experience and knowledge of companies and their management. The information is assessed internally, allowing us to determine the materiality of the issues and adjust our focus and requirements between different sectors.

We do not incorporate an ethical screen as part of our investment process preferring a principled and pragmatic approach. This can be illustrated by the decision to sell our holding in an online clothing retailer over concerns regarding employment practices that were tied to a distributor in their supply chain.

The Fund seeks to avoid investing in any companies that we believe could be tied to any of the following activities:

- Labour rights violations
- Human rights abuses
- Animal cruelty
- Environmental degradation
- Bribery or corruption

Engagement

We strive to understand a business through multiple interactions with management. We don’t seek to actively influence a company, but rather would eliminate those that we don’t’ view as sustainable.

We do not outsource our voting intentions to third party advisors. We would rather use our direct contact with management teams to form and express our views on the company’s capabilities and strategies.

We vote our shares in instances where we believe our voice is important in avoiding poor outcomes, however we are not an activist shareholder. We would not invest in a flawed company in the hope of forcing change at board level to achieve an outcome.