Pengana High Conviction Equities Fund

ARSN 602 546 332

Annual report
For the year ended 30 June 2024

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This annual report covers Pengana High Conviction Equities Fund (ARSN 602 546 332) as an individual entity.

The Responsible Entity of Pengana High Conviction Equities Fund is Pengana Capital Limited (ABN 30 103 800 568).
The Responsible Entity's registered office is: Suite 27.01, Level 27, Governor Phillip Tower, 1 Farrer Place, Sydney, NSW 2000.

Directors' report

The Directors of Pengana Capital Limited, the Responsible Entity of Pengana High Conviction Equities Fund (the "Fund"), present their report together with the financial statements of the Fund, for the year ended 30 June 2024.

Principal activities

The Fund invests primarily in listed securities in accordance with the provisions of the Fund's Constitution.

The Fund did not have any employees during the year.

There were no significant changes in the nature of the Fund's activities during the year.

The various service providers for the Fund are detailed below:

Service	**Provider**
Responsible Entity	Pengana Capital Limited
Investment Manager	Pengana Capital Limited
Custodian and Administrator	BNP Paribas
Statutory Auditor	Ernst & Young

Directors

The following persons held office as Directors of Pengana Capital Limited during the whole of the year and up to the date of this report:

Russel Pillemer
Katrina Glendinning
Nick Griffiths

Review and results of operations

The Fund continued to invest funds in accordance with target asset allocations as set out in the Product Disclosure Statement and in accordance with the provisions of the Fund's Constitution.

Results

The performance of the Fund, as represented by the results of its operations, was as follows:

	Year ended	
	30 June 2024	30 June 2023
	$	$
Operating profit before finance costs attributable to unitholders	**20,035,008**	5,194,691
Class A		
Distributions	**(5,333,937)**	(68,919)
Distributions (cents per unit)	**60.66**	0.69
Class B		
Distributions	**(3,462,668)**	(159,200)
Distributions (cents per unit)	**23.23**	1.13

Significant changes in the state of affairs

In the opinion of the Directors, there were no significant changes in the state of the affairs of the Fund that occurred during the financial year.

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 2024 that has significantly affected, or may significantly affect:

(i) the operations of the Fund in future financial years, or
(ii) the results of those operations in future financial years, or
(iii) the state of the affairs of the Fund in future financial years.

Directors' report (continued)

Likely developments and expected results of operations

The Fund will continue to be managed in accordance with the investment objectives and guidelines as set out in the governing documents of the Fund and in accordance with the provisions of the Fund's Constitution.

The results of the Fund's operations will be affected by a number of factors, including the performance of investment markets in which the Fund invests. Investment performance is not guaranteed and future returns may differ from past returns. As investment conditions change over time, past returns should not be used to predict future returns.

Indemnification and insurance of officers and auditors

No insurance premiums are paid for out of the assets of the Fund in regards to insurance cover provided to either the officers of Pengana Capital Limited or the auditors of the Fund. So long as the officers of Pengana Capital Limited act in accordance with the Fund's Constitution and the Law, the officers remain fully indemnified out of the assets of the Fund against losses incurred while acting on behalf of the Fund. The auditors of the Fund are in no way indemnified out of the assets of the Fund.

Fees paid and interests held in the Fund by the Responsible Entity or its associates

Fees paid to the Responsible Entity and its associates out of Fund property during the year are disclosed in Note 14 to the financial statements.

No fees were paid out of Fund property to the Directors of Pengana Capital Limited during the year.

The number of interests in the Fund held by Pengana Capital Limited or its associates as at the end of the financial year are disclosed in Note 14 to the financial statements.

Interests in the Fund

The movement in units on issue in the Fund during the year is disclosed in Note 7 to the financial statements.

The value of the Fund's assets and liabilities is disclosed on the statement of financial position and derived using the basis set out in Note 2 to the financial statements.

Rounding of amounts to the nearest dollar

Amounts in the Directors' report have been rounded to the nearest dollar in accordance with *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, unless otherwise indicated.

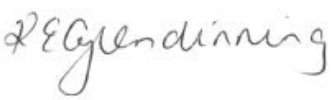
Environmental regulation

The operations of the Fund are not subject to any particular or significant environmental regulations under a Commonwealth, State or Territory law.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 4.

This report is made in accordance with a resolution of the Directors of Pengana Capital Limited.



Katrina Glendinning
Director

Pengana Capital Limited
25 September 2024

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Auditor's Independence Declaration to the Directors of the Responsible Entity of Pengana High Conviction Equities Fund

As lead auditor for the audit Pengana High Conviction Equities Fund 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 High Conviction Equities Fund during the financial year.

Ernst & Young

Ernst & Young

Jaddus Manga
Partner
25 September 2024

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	Notes	Year ended 30 June 2024 $	Year ended 30 June 2023 $
Investment income			
Interest income		**187,609**	143,966
Dividend income		**82,236**	1,059,913
Net foreign exchange gain/(loss)		**6,017**	(18,587)
Net gains on financial instruments held at fair value through profit or loss	6	**21,130,204**	4,822,636
Other operating income		**24,091**	-
Total net investment income		**21,430,157**	6,007,928
Expenses			
Management fees	14	**700,139**	605,026
Performance fees	14	**460,225**	-
Transaction costs		**153,494**	154,969
Withholding tax		**30,689**	7,411
Other operating expenses		**50,602**	45,831
Total operating expenses		**1,395,149**	813,237
Operating profit		**20,035,008**	5,194,691
Finance costs attributable to unitholders			
Distributions to unitholders	8	**(8,796,605)**	(228,119)
Increase in net assets attributable to unitholders	7	**(11,238,403)**	(4,966,572)
Profit/(loss) for the year		**-**	-
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME		**-**	-

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

	Notes	As at **30 June 2024** $	30 June 2023 $
Assets			
Cash and cash equivalents	9	**3,163,109**	4,546,134
Receivables	11	**42,919**	42,702
Financial assets at fair value through profit or loss	10	**53,777,909**	34,415,650
Total assets		**56,983,937**	39,004,486
Liabilities			
Distribution payable		**3,861,143**	108,232
Due to brokers - payable for securities purchased		**-**	192,162
Payables	12	**587,346**	65,964
Total liabilities (excluding net assets attributable to unitholders)		**4,448,489**	366,358
Net assets attributable to unitholders - Liability	7	**52,535,448**	38,638,128

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

	Year ended	
	30 June 2024	30 June 2023
	$	$
Total equity at the beginning of the year		
Profit/(loss) for the year	-	-
Other comprehensive income	-	-
Total comprehensive income for the year	-	-
Transactions with owners in their capacity as owners	-	-
Total equity at the end of the year	-	-

Under Australian Accounting Standards, 'Net assets attributable to unitholders' is classified as a liability rather than equity. As a result, there was no equity at the start or end of the year.

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

	Notes	Year ended 30 June 2024 $	Year ended 30 June 2023 $
Cash flows from operating activities			
Proceeds from sale of financial instruments at fair value through profit or loss		**45,198,638**	49,570,684
Purchase of financial instruments at fair value through profit or loss		**(43,622,855)**	(47,605,631)
Dividends received		**82,236**	1,068,530
Interest received		**186,761**	128,892
GST received/(paid)		**(6,045)**	781
Other operating income received		**24,091**	-
Management fees paid		**(678,935)**	(605,206)
Withholding tax paid		**(21,690)**	(11,023)
Transaction costs paid		**(153,974)**	(154,489)
Payment of other operating expenses		**(49,313)**	(46,330)
Net cash inflow from operating activities	15(a)	**958,914**	2,346,208
Cash flows from financing activities			
Proceeds from applications by unitholders		**2,295,473**	1,349,746
Payments for redemptions by unitholders		**(4,535,197)**	(4,671,861)
Distributions paid		**(108,232)**	-
Net cash outflow from financing activities		**(2,347,956)**	(3,322,115)
Net decrease in cash and cash equivalents		**(1,389,042)**	(975,907)
Cash and cash equivalents at the beginning of the year		**4,546,134**	5,540,628
Effect of foreign currency exchange rate changes on cash and cash equivalents		**6,017**	(18,587)
Cash and cash equivalents at the end of the year	9	**3,163,109**	4,546,134
Non-cash financing activities	15(b)	**4,935,462**	119,887
		4,935,462	119,887

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

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1 General information

These financial statements cover Pengana High Conviction Equities Fund ("the Fund") as an individual entity.

The Responsible Entity of the Fund is Pengana Capital Limited (ABN 30 103 800 568) (the "Responsible Entity"). The Responsible Entity's registered office is Suite 27.01, Level 27, Governor Phillip Tower, 1 Farrer Place, Sydney, NSW 2000.

The financial statements are presented in the Australian dollars.

The Fund's investment objective is to deliver returns that exceed the RBA Cash Rate target +3% and to outperform the MSCI World Total Return Index (net, AUD) through investment in a highly concentrated portfolio of global equities.

The financial statements were authorised for issue by the Directors on 25 September 2024. The Directors of the Responsible Entity have the power to amend and reissue the financial report.

2 Summary of material accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied, unless otherwise stated in the following text.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Interpretations and the *Corporations Act 2001* in Australia. Pengana High Conviction Equities Fund is a for-profit entity for the purpose of preparing the financial statements.

The financial statements are prepared on the basis of fair value measurement of assets and liabilities except where otherwise stated.

The statement of financial position is presented on a liquidity basis.

Assets and liabilities are presented in decreasing order of liquidity and do not distinguish between current and non-current. All balances are expected to be recovered or settled within twelve months, except for investments in financial assets and net assets attributable to unitholders.

The Fund manages financial assets at fair value through profit or loss based on the economic circumstances at any given point in time, as well as to meet any liquidity requirements. As such, it is expected that a portion of the portfolio will be realised within 12 months, however, an estimate of that amount cannot be determined as at balance date.

In the case of net assets attributable to unitholders, the units are redeemed on demand at the unitholder's option. However, holders of these instruments typically retain them for the medium to long term. As such, the amount expected to be settled within 12 months cannot be reliably determined.

Compliance with International Financial Reporting Standards (IFRS)

The financial report of the Fund also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

New and amended standards adopted by the Fund

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.

(b) Financial instruments

(i) Classification

The Fund classifies its investments based on its business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The Fund's portfolio of financial assets is managed and its performance is evaluated on a fair value basis in accordance with the Fund's documented investment strategy. The Fund uses fair value information to assess performance of the portfolio and to make decisions to rebalance the portfolio or to realise fair value gains or minimise losses through sales or other trading strategies. The Fund's policy is for the Responsible Entity to evaluate the information about these financial assets on a fair value basis together with other related financial information.

Equity securities are measured at fair value through profit or loss.

The Fund holds equity securities which are mandatorily classified as fair value through profit or loss.

2 Summary of material accounting policies (continued)

(b) Financial instruments (continued)

(ii) Recognition/derecognition

The Fund recognises financial assets and financial liabilities on the date it becomes party to the contractual agreement (trade date) and recognises changes in fair value of financial assets or financial liabilities from this date.

Investments are derecognised when the right to receive cash flows from the investments have expired or the Fund has transferred substantially all risks and rewards of ownership.

(iii) Measurement

Financial assets and liabilities are measured at fair value through profit or loss.

At initial recognition, the Fund measures a financial asset or financial liability at its fair value. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in the statement of comprehensive income.

Subsequent to initial recognition, all financial assets and financial liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the 'financial assets or financial liabilities at fair value through profit or loss' category are presented in the statement of comprehensive income within net gains / (losses) on financial instruments held at fair value through profit or loss in the period in which they arise. Gains and losses do not include interest or dividend income.

Further details on how the fair values of financial instruments are determined are disclosed in Note 4.

(c) Net assets attributable to unitholders

Units are redeemable at the unitholders' option, however applications and redemptions may be suspended by the Responsible Entity if it is in the best interests of the unitholders. The units can be put back to the Fund at any time for cash equal to a proportionate share of the Fund's net asset value attributable to the unitholders. The units are carried at the redemption amount that is payable at reporting date if the holder exercises the right to put the units back to the Fund. The amount represents the expected cash flows on redemption of these units.

Units are classified as equity when they satisfy the following criteria under AASB 132 *Financial instruments: Presentation*:

- the puttable financial instrument entitles the holder to a pro-rata share of net assets in the event of the Fund's liquidation
- the puttable financial instrument is in the class of instruments that is subordinate to all other classes of instruments and class features are identical
- the puttable financial instrument does not include any contractual obligations to deliver cash or another financial asset, or to exchange financial instruments with another entity under potentially unfavourable conditions to the Fund, and it is not a contract settled in the Fund's own equity instruments; and
- the total expected cash flows attributable to the puttable financial instrument over the life are based substantially on the profit or loss.

As the units on issue comprise multiple classes of units with non-identical features, the Fund's net assets attributable to unitholders cannot be classified as equity; and therefore, have continued to be classified as a liability in accordance with AASB132 *Financial Instruments: Presentation.*

(d) Cash and cash equivalents

For the statement of cash flows presentation purposes, cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

Payments and receipts relating to the purchase and sale of investment securities are classified as cash flows from operating activities, as movements in the fair value of these securities represent the Fund's main income generating activity.

2 Summary of material accounting policies (continued)

(e) Investment income

Interest income on cash and cash equivalents and term deposits is recognised in the statement of comprehensive income using the amortised cost method.

Dividend income is recognised on the ex-dividend date with any related foreign withholding tax recorded as an expense.

The Fund currently incurs withholding tax imposed by certain countries on investment income. Such income is recorded gross of withholding tax in the statement of comprehensive income.

(f) Expenses

All expenses are recognised in the statement of comprehensive income on an accrual basis. Management and performance fees are set out in Note 14.

(g) Income tax

Under current legislation, the Fund is not subject to income tax provided it attributes the entirety of its taxable income to its unitholders.

Uncertain Taxes

AASB Interpretations 23 Uncertainty over Income Tax Treatments ("AASB Interpretations 23") requires the evaluation of whether a tax position of the Fund is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. Tax positions not deemed to meet the more-likely-than-not threshold would be recorded as a tax expense, including interest and penalties, in the current year in the statement of comprehensive income. The guidance establishes a minimum threshold for financial statement recognition of positions taken in filing of tax returns, including whether an entity is taxable in a particular tax jurisdiction, and requires certain expanded tax disclosures. As stated above, the Fund is not subject to income tax.

(h) Distributions

The Fund has elected into the Attribution Managed Investment Trust ("AMIT") regime. Distributions are presented in the Statement of Comprehensive Income as finance costs attributable to unitholders. The Fund's Constitution has no contractual obligation for the Responsible Entity to distribute trust income to unitholders.

(i) Foreign currency translation

(i) Functional and presentation currency

Items included in the Fund's financial statements are measured using the currency of the primary economic environment in which it operates (the "functional currency"). This is the Australian dollar, which reflects the currency of the economy in which the Fund competes for capital and is regulated. The Australian dollar is also the Fund's presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

Non monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when fair value was determined. Translation of differences on assets and liabilities carried at fair value are reported in the statement of comprehensive income on a net basis within net gains/(losses) on financial instruments held at fair value through profit or loss.

2 Summary of material accounting policies (continued)

(j) Due from/to brokers

Amounts due from/to brokers represent receivables for securities sold and payables for securities purchased that have been contracted for but not yet delivered by the end of the year. The due from brokers balance is held for collection and consequently measured at amortised cost.

These amounts are recognised initially at fair value and subsequently measured at amortised cost. At each reporting date, the Fund shall measure the loss allowance on amounts due from broker 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 Fund 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. A significant increase in credit risk is defined by management as any contractual payment which is more than 30 days past due. Any contractual payment which is more than 90 days past due is considered credit impaired.

(k) Receivables

Receivables may include amounts for dividends, interest and trust distributions. Dividends and trust distributions are accrued when the right to receive payment is established. Interest is accrued at the end of each reporting period from the time of last payment in accordance with the policy set out in note 2 (e) above. Amounts are generally received within 30 days of being recorded as receivables.

These amounts are recognised initially at fair value and subsequently measured at amortised cost. At each reporting date, the Fund shall measure the loss allowance on 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 Fund shall measure the loss allowance at an amount equal to 12-month expected credit losses. Significant financial difficulties of the counterparty, probability that the counterparty 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. A significant increase in credit risk is defined by management as any contractual payment which is more than 30 days past due. Any contractual payment which is more than 90 days past due is considered credit impaired.

The amount of the impairment loss is recognised in profit or loss within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

(l) Payables

Payables are initially recognised at fair value. They are subsequently measured at amortised cost.

(m) Applications and redemptions

Applications received for units in the Fund are recorded net of any entry fees payable prior to the issue of units in the Fund. Redemptions from the Fund are recorded gross of any exit fees payable after the cancellation of units redeemed.

(n) Goods and services tax (GST)

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

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.

(o) Use of estimates

The Fund makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

For certain other financial instruments, including amounts due from/to brokers and payables, the carrying amounts approximate fair value due to the short-term nature of these financial instruments.

2 Summary of material accounting policies (continued)

(p) Rounding of amounts

The Fund is an entity of the kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, relating to the 'rounding off' amounts in the financial statements. Amounts in the financial statements have been rounded off to the nearest dollar unless otherwise indicated.

3 Financial risk management

The Fund is exposed to a variety of financial risks: market risk (including price risk, currency risk and interest rate risk), credit risk and liquidity risk. The Responsible Entity is responsible for managing these risks and does so through a process of ongoing identification, measurement and monitoring.

Risks are measured using a method that reflects the expected impact on the results and net assets attributable to unitholders of the Fund from reasonably foreseeable changes in the relevant risk variables. Information about these risk exposures at the reporting date, measured on this basis, is disclosed below. Information about the total fair value of financial instruments exposed to risk, as well as compliance with established investment mandate limits, is also monitored by the Responsible Entity. These mandate limits reflect the investment strategy and market environment of the Fund, as well as the level of risk that the Fund is willing to accept.

This information is prepared and regularly reported to relevant parties within the Responsible Entity.

As part of its risk management strategy, the Fund may use derivatives to manage certain risk exposures.

Concentrations of risk arise when a number of financial instruments or contracts are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

In order to avoid excessive concentration of risk, the Fund monitors its exposure to ensure concentrations of risk remain within acceptable levels and either reduces exposure or uses derivative instruments to manage the excessive risk concentrations when they arise.

(a) Market risk

AASB 7 defines market risk as the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as equity prices, foreign exchange rates, and interest ratess. The Fund's investment activities are undertaken in accordance with established mandate limits and investment strategies.

The Fund buys and sells derivatives in the ordinary course of business, and also incurs financial liabilities, in order to manage market risks.

(i) Price risk

The Fund is exposed to equity securities price risk. This arises from investments held by the Fund for which prices in the future are uncertain. Where non-monetary financial instruments are denominated in currencies other than the Australian dollar, the price in the future will also fluctuate because of the changes in foreign exchange rates. Paragraph (ii) below sets out how this component of price risk is managed and measured. These investments are classified on the statement of financial position at fair value through profit or loss. The fair value of the investments represents the Fund's maximum price risk. The Fund mitigates price risk by diversifying exposure across a range of investments. The Responsible Entity monitors risk guidelines and position sizes.

The Fund has no concentrations in individual equity positions exceeding 20.01% (2023: 14.75%) of the total investment in equity securities at 30 June 2024.

The table below is a summary of the significant sector concentrations within the equity portfolio.

	30 June 2024		30 June 2023	
	%	**$**	%	$
Healthcare	**51.57**	**27,736,741**	47.11	16,214,168
Materials	**43.06**	**23,156,119**	15.75	5,420,904
Communication service	**2.78**	**1,492,476**	17.11	5,889,290
Consumer discretion	**2.59**	**1,392,573**	0.89	306,162
Information technology	**-**	**-**	19.13	6,585,126

3 Financial risk management (continued)

(a) Market risk (continued)

(ii) Foreign exchange risk

The table below summarises the Fund's assets and liabilities that are denominated in the more significant currencies for the current year, US Dollars, Euro, Israeli New Shekel, Swiss Francs . For prior year the more significant summaries were US Dollars, Euro, Swiss Francs, Canadian Dollars and Norwegian Krone.

	30 June 2024			
	US Dollars	**Euro**	**Israeli New Shekel**	**Swiss Francs**
	A$	**A$**	**A$**	**A$**
Cash and cash equivalents	**48,849**	**389**	**-**	**-**
Receivables	**2,469**	**-**	**-**	**-**
Financial assets at fair value through profit or loss	**14,920,875**	**-**	**-**	**-**
Bank overdraft	**-**	**-**	**(34)**	**(38)**
Net Exposure	**14,972,193**	**389**	**(34)**	**(38)**

	30 June 2023				
	US Dollars	Euro	Swiss Francs	Canadian Dollars	Norwegian Krone
	A$	A$	A$	A$	A$
Cash and cash equivalents	2,146,987	531	-	-	6
Receivables	7,855	13,159	-	-	-
Financial assets at fair value through profit or loss	19,235,665	6,641,901	1,840,142	1,082,288	-
Bank overdraft	-	-	(37)	-	-
Due to brokers - payable for securities purchased	-	(192,162)	-	-	-
Payables	-	(480)	-	-	-
Net Exposure	21,390,507	6,462,949	1,840,105	1,082,288	6

The table within note 3(b) summarises the sensitivities of the Fund's monetary assets and liabilities to foreign exchange risk.

3 Financial risk management (continued)

(a) Market risk (continued)

(iii) Interest rate risk

The Fund does not own interest bearing financial assets that will expose it to material risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial positions and cash flows. The impact of interest rate risk on net assets attributable to unitholders and operating profit is considered immaterial to the Fund.

The impact of interest rate risk on net assets attributable to unitholders and operating profit is outlined in the table below.

30 June 2024	**Floating interest rate**	**Fixed interest rate**				**Non interest bearing**	**Total**
		3 months or less	**4 to 12 months**	**1 to 5 years**	**Over 5 years**		
	$	**$**	**$**	**$**	**$**	**$**	**$**
Assets							
Cash and cash equivalents	**3,163,109**	**-**	**-**	**-**	**-**	**-**	**3,163,109**
Receivables	**-**	**-**	**-**	**-**	**-**	**42,919**	**42,919**
Financial assets at fair value through profit or loss	**-**	**-**	**-**	**-**	**-**	**53,777,909**	**53,777,909**
Total assets	**3,163,109**	**-**	**-**	**-**	**-**	**53,820,828**	**56,983,937**
Liabilities							
Distribution payable	**-**	**-**	**-**	**-**	**-**	**3,861,143**	**3,861,143**
Payables	**-**	**-**	**-**	**-**	**-**	**587,346**	**587,346**
Financial liabilities at fair value through profit or loss	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total liabilities (excluding net assets attributable to unit holders)	**-**	**-**	**-**	**-**	**-**	**4,448,489**	**4,448,489**
Net exposure	**3,163,109**	**-**	**-**	**-**	**-**	**49,372,339**	**52,535,448**

30 June 2023	Floating interest rate	Fixed interest rate				Non interest bearing	Total
		3 months or less	4 to 12 months	1 to 5 years	Over 5 years		
	$	$	$	$	$	$	$
Assets							
Cash and cash equivalents	4,546,134	-	-	-	-	-	4,546,134
Receivables	-	-	-	-	-	42,702	42,702
Financial assets at fair value through profit or loss	-	-	-	-	-	34,415,650	34,415,650
Total assets	4,546,134	-	-	-	-	34,458,352	39,004,486
Liabilities							
Distribution payable	-	-	-	-	-	108,232	108,232
Due to brokers - payable for securities purchased	-	-	-	-	-	192,162	192,162
Payables	-	-	-	-	-	65,964	65,964
Total liabilities (excluding net assets attributable to unitholders)	-	-	-	-	-	366,358	366,358
Net exposure	4,546,134	-	-	-	-	34,091,994	38,638,128

Interest rate risk is not material for the fund. An analysis of financial liabilities by maturity is provided in paragraph 3(d).

3 Financial risk management (continued)

(b) Summarised sensitivity analysis

The following table summarises the sensitivity of the Fund's operating profit and net assets attributable to unitholders to price risk and foreign exchange risk. The reasonably possible movements in the risk variables have been determined based on management's best estimate, having regard to a number of factors, including historical levels of changes in interest rates and foreign exchange rates, historical correlation of the Fund's investments with the relevant benchmark and market volatility. However, actual movements in the risk variables may be greater or less than anticipated due to a number of factors, including unusually large market movements resulting from changes in the performance of and/or correlation between the performances of the economies, markets and securities in which the Fund invests. As a result, historic variations in risk variables should not be used to predict future variations in the risk variables.

	Impact on operating profit/Net assets attributable to unitholders			
	Price risk			
	%	**$**	**%**	**$**
30 June 2024	**(15.00)**	**(8,023,643)**	**10.00**	**5,349,095**
30 June 2023	(15.00)	(5,162,347)	10.00	3,441,565

	Impact on operating profit/Net assets attributable to unitholders			
	Foreign exchange risk			
30 June 2024	**%**	**$**	**%**	**$**
US Dollars	**(15.00)**	**(2,245,829)**	**15.00**	**2,245,829**
Euro	**(15.00)**	**(58)**	**15.00**	**58**
30 June 2023				
US Dollars	(15.00)	(3,208,576)	15.00	3,208,576
Euro	(15.00)	(969,442)	15.00	969,442
Swiss Francs	(15.00)	(276,016)	15.00	276,016
Canadian Dollars	(15.00)	(162,343)	15.00	162,343
Norwegian Krone	(15.00)	(1)	15.00	1

Foreign exchange sensitivity has not been disclosed where the impact is deemed immaterial to the Fund.

(c) Credit risk

The Fund is exposed to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when they fall due, causing a financial loss to the Fund.

The Fund is exposed to counterparty credit risk on derivative financial instruments, cash and cash equivalents, amounts due from brokers and other receivables.

The Fund 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.

Derivative financial instruments

For derivative financial instruments, the Responsible Entity monitors the counterparty risk on an ongoing basis. Impact is considered immaterial to the fund.

Settlement of securities transactions

All transactions in listed securities are settled/paid for upon delivery using approved brokers. The risk of default is considered low, as delivery of securities sold is only made once the broker has received payment. Payment is made once purchase on the securities have been received by the broker. The trade will fail if either party fails to meet its obligations.

3 Financial risk management (continued)

(c) Credit risk (continued)

Cash and cash equivalents

The exposure to credit risk for cash and cash equivalents is low as all counterparties have a minimum rating of A-1 (as determined by Standard and Poor's) or higher.

Other

The Fund is not materially exposed to credit risk on other financial assets.

The clearing and depository operations for the Fund's security transactions are concentrated with one counterparty, namely BNP Paribas. BNP Paribas is a wholly owned subsidiary of BNP Paribas S.A. who is a member of a major securities exchange, and at 30 June 2024 had a credit rating of A+ (2023: A+). At 30 June 2024, substantially all cash and cash equivalents and balances due from brokers are held in custody by BNP Paribas.

Maximum exposure to credit risk

The maximum exposure to credit risk before any credit enhancements at the end of each reporting period is the carrying amount of the financial assets. None of these assets are impaired, nor past due but not impaired.

(d) Liquidity risk

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous. The Fund is exposed to daily cash redemptions of its units. Its policy is therefore to primarily hold investments that are traded in an active market and can be readily disposed and the fund maintains sufficient cash and cash equivalents to meet normal redemption volumes.

The investment manager monitors liquidity on a daily basis. In order to manage the Fund's overall liquidity, the responsible entity has the discretion to reject an application for units and to defer or adjust redemption of units if the exercise of such discretion is in the best interests of unitholders. The Fund did not reject or withhold any redemptions during 2024 and 2023.

The table below analyses the Fund's financial liabilities into relevant maturity groupings based on the remaining period at reporting date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows. Units are redeemed on demand at the unitholder's option. However, the Board of Directors does not envisage that the contractual maturity disclosed in the table below will be representative of the actual cash outflows, as holders of these instruments typically retain them for the medium to long term.

	Less than 1 month	**1-6 months**	**6-12 months**	**Over 12 months**
	$	**$**	**$**	**$**
At 30 June 2024				
Payables	**587,346**	**-**	**-**	**-**
Distributions payable	**3,861,143**	**-**	**-**	**-**
Net assets attributable to unitholders	**52,535,448**	**-**	**-**	**-**
	56,983,937	**-**	**-**	**-**

	Less than 1 month	1-6 months	6-12 months	Over 12 months
	$	$	$	$
At 30 June 2023				
Due to brokers	192,162	-	-	-
Payables	65,964	-	-	-
Distributions payable	108,232	-	-	-
Net assets attributable to unitholders	38,638,128	-	-	-
	39,004,486	-	-	-

4 Fair value measurements

The Fund measures and recognises the following assets and liabilities at fair value on a recurring basis:

- Financial assets / liabilities designated at fair value through profit or loss
- Derivative financial instruments

The Fund has no assets or liabilities measured at fair value on a non-recurring basis in the current reporting period.

AASB 13 requires disclosure of fair value measurements by level of the following fair value hierarchy:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
(b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (level 2); and
(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

(i) Fair value in an active market (level 1)

The fair value of financial assets and liabilities traded in active markets is based on their quoted market prices at the end of the reporting period without any deduction for estimated future selling costs.

The Fund values its investments in accordance with the accounting policies set out in Note 2 to the financial statements. For the majority of its investments, the Fund relies on information provided by independent pricing services for the valuation of its investments.

The quoted market price used for financial assets and liabilities held by the Fund is the last traded price.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

(ii) Fair value in an inactive or unquoted market (level 2 and level 3)

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques. These include the use of recent market transactions, reference to the current fair value of a substantially similar other instrument, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate used is a market rate at the end of the reporting period applicable for an instrument with similar terms and conditions.

For other pricing models, inputs are based on market data at the end of the reporting period. Fair values for unquoted equity investments are estimated, if possible, using applicable price/earnings ratios for similar listed companies adjusted to reflect the specific circumstances of the issuer.

The fair value of derivatives that are not exchange traded is estimated at the amount that the Fund would receive or pay to terminate the contract at the end of the reporting period taking into account current market conditions (volatility and appropriate yield curve) and the current creditworthiness of the counterparties. The fair value of a forward contract is determined as a net present value of estimated future cash flows, discounted at appropriate market rates as at the valuation date.

Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions. The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions the Fund holds.

Recognised fair value measurements

The following table presents the Fund's assets and liabilities measured and recognised at fair value as at 30 June 2024 and 30 June 2023.

30 June 2024	**Level 1**	**Level 2**	**Level 3**	**Total**
	$	**$**	**$**	**$**
Financial assets at fair value through profit or loss				
Derivatives	**-**	**286,957**	**-**	**286,957**
Listed equity securities	**53,490,952**	**-**	**-**	**53,490,952**
Total	**53,490,952**	**286,957**	**-**	**53,777,909**

4 Fair value measurements (continued)

30 June 2023	Level 1 $	Level 2 $	Level 3 $	Total $
Financial assets at fair value through profit or loss				
Listed equity securities	34,415,650	-	-	34,415,650
Total	34,415,650	-	-	34,415,650

The Fund's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

Transfers between levels

There were no transfers between levels in the fair value hierarchy during the year ended 30 June 2024.

Fair value measurements using significant unobservable inputs (level 3)

There were no investments classified as Level 3 within the Fund as at 30 June 2024 and 30 June 2023.

Fair value of financial instruments not carried at fair value

The carrying value of trade receivables and trade payables are assumed to approximate their fair values. Net assets attributable to unitholders' carrying value differs from its fair value (deemed to be redemption price for individual units) due to differences in valuation inputs. This difference is not material in the current or prior period.

The carrying value of financial instruments not measured at fair value approximate their fair values.

5 Auditor's remuneration

The following fees were paid or payable for services provided by the auditor of the Fund:

	Year ended	
	30 June 2024 **$**	30 June 2023 $
Audit services		
Audit and other assurance services		
Ernst & Young		
Audit and review of the Financial Statements of the Fund	**18,000**	18,000
Audit of the compliance plan	**4,300**	3,900
Total remuneration of Ernst & Young	**22,300**	21,900

The auditor's remuneration in 2024 and 2023 was borne by the Responsible Entity.

6 Net gains on financial instruments at fair value through profit or loss

Net gains/(losses) recognised in relation to financial assets and financial liabilities at fair value through profit or loss:

	Year ended	
	30 June 2024 **$**	30 June 2023 $
Financial instruments		
Net gain on financial instruments at fair value through profit or loss	**21,130,204**	4,822,636
Total net gains on financial instruments at fair value through profit or loss	**21,130,204**	4,822,636

7 Net assets attributable to unitholders

Movements in the number of units and net assets attributable to unitholders during the year were as follows:

	Year ended			
	30 June 2024 No.	30 June 2023 No.	**30 June 2024 $**	30 June 2023 $
Net assets attributable to unitholders - Class A				
Opening balance	**10,020,206**	11,208,253	**24,181,262**	23,644,211
Applications	**290,208**	151,999	**800,476**	342,180
Redemptions	**(1,517,770)**	(1,358,399)	**(4,104,101)**	(3,059,423)
Units issued upon reinvestment of distributions	**1,075,346**	18,353	**3,388,415**	44,275
Increase/(decrease) in net assets attributable to unitholders	**-**	-	**6,830,824**	3,210,019
Closing balance	**9,867,990**	10,020,206	**31,096,876**	24,181,262
Net assets attributable to unitholders - Class B				
Opening balance	**14,175,355**	14,828,181	**14,456,866**	13,230,717
Applications	**1,130,817**	1,027,006	**1,497,320**	996,715
Redemptions	**(400,919)**	(1,753,998)	**(470,240)**	(1,602,731)
Units issued upon reinvestment of distributions	**1,159,358**	74,166	**1,547,047**	75,612
Increase/(decrease) in net assets attributable to unitholders	**-**	-	**4,407,579**	1,756,553
Closing balance	**16,064,611**	14,175,355	**21,438,572**	14,456,866

As stipulated in the Fund's Constitution, each unit represents a right to an individual share in the Fund and does not extend to a right to the underlying assets in the Fund.

There are 2 separate classes of units. Each unit within the same class has the same rights as all other units within that class. Each unit class has a different management fee rate.

As the units on issue comprise multiple classes of units with non-identical features, the Fund's net assets attributable to unitholders cannot be classified as equity; and therefore, have continued to be classified as a liability in accordance with AASB132 Financial Instruments: Presentation.

Capital risk management

The Fund considers its net assets attributable to unitholders as capital. The amount of net assets attributable to unitholders can change significantly on a daily basis as the Fund is subject to daily applications and redemptions at the discretion of unitholders. Net assets attributable to unitholders are representative of the expected cash outflows on redemption.

Daily applications and redemptions are reviewed relative to the liquidity of the Fund's underlying assets on a daily basis by the Responsible Entity. Under the terms of the Fund's constitution, the Responsible Entity has the discretion to reject an application for units and to defer or adjust a redemption of units if the exercise of such discretion is in the best interests of unitholders.

8 Distributions to unitholders

The distributions were as follows:

	Year ended			
	30 June 2024		30 June 2023	
	$	**CPU**	$	CPU
Distributions - Class A				
Distributions paid and payable - June	**5,333,937**	**60.66**	68,919	0.69
Total distributions	**5,333,937**	**60.66**	68,919	0.69
Distributions - Class B				
Distributions paid and payable - June	**3,462,668**	**23.23**	159,200	1.13
	3,462,668	**23.23**	159,200	1.13
Total distributions	**8,796,605**		228,119	

9 Cash and cash equivalents

	As at	
	30 June 2024	30 June 2023
	$	$
Cash at bank	**3,163,109**	4,546,134
	3,163,109	4,546,134

10 Financial assets at fair value through profit or loss

	As at	
	30 June 2024	30 June 2023
	Fair value	Fair value
	$	$
Financial assets at fair value through profit or loss		
Derivatives	**286,957**	-
Listed equity securities	**53,490,952**	34,415,650
Total financial assets at fair value through profit or loss	**53,777,909**	34,415,650

An overview of the risk exposures relating to financial assets at fair value through profit or loss is included in Note 3.

11 Receivables

	As at	
	30 June 2024	30 June 2023
	$	$
Interest receivable	**17,638**	16,790
Reduced Input Tax Credit receivable	**18,798**	12,753
Applications receivable	**2,323**	-
Withholding tax reclaims receivable	**4,160**	13,159
	42,919	42,702

12 Payables

	As at	
	30 June 2024	30 June 2023
	$	$
Management fees payable	**72,039**	50,835
Performance fees payable	**460,225**	-
Redemptions payable	**50,000**	10,856
Transaction costs payable	**-**	480
Other expenses payable	**5,082**	3,793
	587,346	65,964

13 Derivative financial instruments

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

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

Derivative transactions include a wide assortment of instruments, such as forwards, futures and options. Derivatives are considered to be part of the investment process. The use of derivatives is an essential part of the Fund's portfolio management. Derivatives are not managed in isolation. Consequently, the use of derivatives is multifaceted and includes:

- hedging to protect an asset or liability of the Fund against a fluctuation in market values or to reduce volatility
- a substitution for trading of physical securities
- adjusting asset exposures within the parameters set in the investment strategy, and adjusting the duration of fixed interest portfolios or the weighted average maturity of cash portfolios.

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

The Fund holds the following derivative instruments:

30 June 2024

		Fair Values	
	Contract/notional	**Assets**	**Liabilities**
	$	**$**	**$**
Warrants	**286,957**	**286,957**	**-**
	286,957	**286,957**	**-**

An overview of the risk exposures relating to derivatives is included in Note 3.

14 Related party transactions

Responsible Entity

The Responsible Entity of Pengana High Conviction Equities Fund is Pengana Capital Limited (ABN 30 103 800 568). Accordingly, transactions with entities related to Pengana Capital Limited are disclosed below.

Key management personnel

Directors

Key management personnel includes persons who were Directors of Pengana Capital Limited at any time during the financial year or since the end of the year end and up to the date of this report:

Russel Pillemer	Director
Katrina Glendinning	Director
Nick Griffiths	Director

14 Related party transactions (continued)

Key management personnel unitholdings

At 30 June 2024, no key management personnel held units in the Fund (2023: nil).

Key management personnel compensation

Key management personnel are paid by the Responsible Entity. Payments made from the Fund to the Responsible Entity do not include any amounts directly attributable to the compensation of key management personnel.

Key management personnel loan disclosures

The Fund has not made, guaranteed or secured, directly or indirectly, any loans to the key management personnel or their personally related entities at any time during the reporting period.

Other transactions within the Fund

Apart from those details disclosed in this note, no key management personnel have entered into a material contract with the Fund during the financial year and there were no material contracts involving key management personnel's interests existing at year end.

Responsible Entity's fees and other transactions

The management fees, performance fees and capped expense recovery fee disclosed in the Fund's Constitution and the current Product Disclosure Statement's ("PDS") for the fund are as follows:

Class A: Management fee amount of 1.80% p.a. of the Class' NAV (including GST net of RITC). Capped expense recovery amount of up to 0.19% p.a. of the Class' NAV (including GST net of RITC). Performance fee amount of 15.38% (including GST net of RITC) of the Class return in excess of the Fund's hurdle of the Reserve Bank of Australia's Cash Rate target +3%pa.

Class B: Management fee of 1.25% p.a. (including GST net of RITC). Performance fee amount of 20% (including GST net of RITC) of the Class return in excess of the Fund's hurdle of the MSCI World Total Return Index (net, AUD).

Transactions with related parties have taken place in the ordinary course of business. The transactions during the year and amounts at year end between the Fund and the Responsible Entity were as follows:

	30 June 2024	30 June 2023
	$	$
Investment Management fees	**700,139**	605,026
Performance fees	**460,225**	-
Aggregate amounts payable to the Responsible Entity at the reporting date	**532,264**	50,835
Capped expense recovery	**50,602**	45,831
Capped expense recovery payable	**5,082**	3,793

Investments

The Fund did not hold any investments in Pengana Capital Limited or its related parties during the year.

15 Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities

	Year ended	
	30 June 2024	30 June 2023
	$	$
(a) Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities		
Increase/(decrease) in net assets attributable to unitholders	**11,238,403**	4,966,572
Distributions to unitholders	**8,796,605**	228,119
Proceeds from sale of financial instruments at fair value through profit or loss	**45,198,638**	49,570,684
Purchase of financial instruments at fair value through profit or loss	**(43,622,855)**	(47,605,631)
Net gains on financial instruments at fair value through profit or loss	**(21,130,204)**	(4,822,636)
Net foreign exchange (gain)/loss	**(6,017)**	18,587
Net change in receivables	**2,106**	(9,288)
Net change in payables	**482,238**	(199)
Net cash inflow from operating activities	**958,914**	2,346,208
(b) Non-cash financing activities		
During the year, the following distribution payments were satisfied by the issue of units under the distribution reinvestment plan	**4,935,462**	119,887
	4,935,462	119,887

16 Events occurring after the reporting date

No significant events have occurred since the reporting date which would have an impact on the financial position of the Fund disclosed in the statement of financial position as at 30 June 2024 or on the results and cash flows of the Fund for the year ended on that date.

17 Contingent assets and liabilities or commitments

There are no outstanding contingent assets and liabilities or commitments as at 30 June 2024 and 30 June 2023.

Directors' declaration

In the opinion of the Directors of the Responsible Entity:

(a) The financial statements and notes set out on pages 5 - 25 are in accordance with the *Corporations Act 2001*, including:

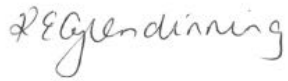
  (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements;

  (ii) giving a true and fair view of the Fund's financial position as at 30 June 2024 and of its performance for the financial year ended on that date,

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

(c) Note 2(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

This declaration is made in accordance with a resolution of the Directors.



Katrina Glendinning
Director

Pengana Capital Limited
25 September 2024

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Building a better working world

Independent auditor's report to the unitholders of Pengana High Conviction Equities Fund

Opinion

We have audited the financial report of Pengana High Conviction Equities Fund (the Fund), 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, and the directors' declaration.

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

a. Giving a true and fair view of the Fund'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 Fund 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.

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

The directors of Pengana Capital Limited, the Responsible Entity of the Fund, are responsible for the other information. The other information is the directors' report accompanying the financial report.

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

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

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

In preparing the financial report, the directors are responsible for assessing the Fund'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 Fund 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 Fund's internal control.

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

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund'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 Fund to cease to continue as a going concern.

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

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

Ernst & Young

Ernst & Young

Jaddus Manga

Jaddus Manga
Partner
Sydney
25 September 2024