5 March 2025

Growth momentum evident

The pivot to private markets, recent strong investment performance, and associated recovery in performance fees, shine through in Pengana's 1H25 result, with performance fees returning to above average levels. On the back of its result, we lift our valuation to $1.79 (was $1.62).

Key Messages

Strong FuM growth and performance fees delivered in 1H25: December 2024 FuM of $3.56b was slightly better than expected. 1H25 performance fees were also stronger at $12.8m and leading us to upgrade our forecasts.

Private markets continue to drive flows: Two thirds (66%) of Pengana's FuM growth in 1H25 was from private markets (credit, equity). The launch of several new private credit offerings in the last several months (TermPlus, SMA) as really underpinned this growth. High Conviction Equities noticeably appears to have also attracted flows.

Earnings and Valuation Changes

Earnings changes due to performance fees and higher FuM: We revise our reported EPS estimates: FY25E: +78%, FY26E: +46%, FY27E: +34% and our cash EPS estimates: FY25E: +26%, FY26E: +20%, FY27E: +17%, primarily due to lifting our performance fees estimates, a reduction in estimated team profit shares and minor compositional changes elsewhere.

Valuation rises to $1.79. Placing Pengana on 16.1x FY25 earnings (its peer average) produces a valuation of $1.79. At the current price, we estimate PCG is trading on a FY25E adj. PE of 7.5x, and a F12M dividend yield of 6.9%.

Investment Thesis

Recovery in FuM and performance fees: Favourable superannuation tailwinds, benign markets, new product launches and continued strong investment performance are all helping Pengana's FuM lift from its recent low, and performance fees recover to above average levels. This will lead to higher free cash flows and returns to shareholders in terms of dividends and share buybacks.

Pivot to private markets will accelerate growth and long-term rerating: The proportion of FuM in private market strategies is set to increase, which should support FuM growth, fee margin growth and in time a valuation re-rating.

Catalysts and Risks

Next key catalysts: Pengana typically provides a monthly FuM update around the middle of the following month. The growing level of private markets FuM should be evident, benefiting management and performance fees.

Risk to investment thesis: With many of Pengana's funds featuring performance fees, adverse markets or investment performance will impact Pengana's performance fee earnings, and hence its profitability. Refer page 9 for more risks.

PENGANA CAPITAL

Pengana Capital Group is leading Australian provider of premium, value added fund management products focused on the higher-end retail market (advisors and self managed superannuation funds) and high net worth individuals operating for over 20 years with around A$3.4bn of funds under management.

www.pengana.com

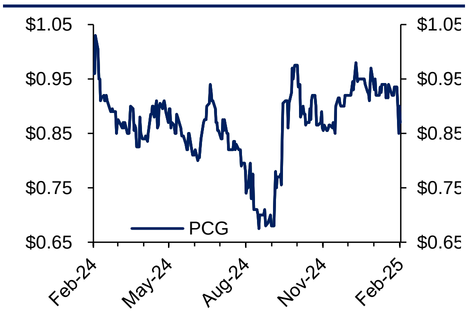
Key Data

Valuation (A$)	1.79
Current Price (A$)	0.92
Market Cap (A$m)	101
30 Day Average Turnover (A$)	9,273

Trim Capital forecasts

FY Year End	24A	25E	26E	27E
Adj NPAT (m)	-0.2	10.4	16.5	20.1
EPS adj (c)	2.2	12.3	17.5	21.4
EPS gwth (%)	-56	451	38	22
PE adj (x)	42.7	7.5	5.3	4.3
DPS (c)	3.0	4.0	8.0	11.0
Div yield (%)	3.3	4.3	8.7	12.0
ROE (%)	-0.3	12.9	18.1	20.1
PB (x)	1.05	0.98	0.89	0.81

12- Month Share Price Performance



Source: LSEG

Glen Wellham, Senior Analyst
glen.wellham@trimcapital.com.au

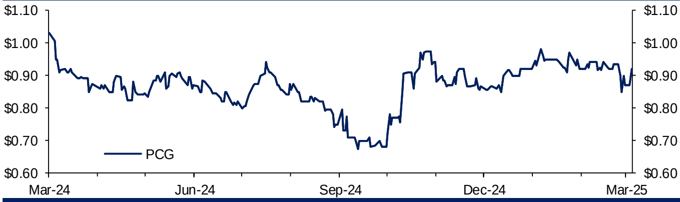
Mark Tomlins, Senior Analyst
mark.tomlins@trimcapital.com.au

Financial Summary

PENGANA CAPITAL GROUP LIMITED PCG-AX

Year end 30 June, A$

12-MONTH SHARE PRICE PERFORMANCE



MARKET DATA		
Price	A$	$0.92
Valuation	A$	$1.79
52 week low - high	A$	0.66 - 1.05
Market capitalisation	A$m	101
Shares on issue (ordinary)	m	109.8
Options / rights (currently antidilutive)	m	0.0
Other equity (treasury shares)	m	-26.7
Shares on issue (basic)	m	83.2

INCOME STATEMENT		FY23A	FY24A	FY25E	FY26E	FY27E
Management fees	A$m	36.0	35.9	42.6	49.0	55.0
Performance fees	A$m	0.0	3.1	17.4	16.1	20.1
Total fee revenue	**A$m**	**36.0**	**39.0**	**60.0**	**65.1**	**75.1**
Net fund direct expenses	A$m	-3.0	-3.8	-4.9	-5.4	-6.1
Operating expenses	A$m	-18.2	-20.4	-23.2	-24.4	-25.6
Team profit share	A$m	-11.1	-11.7	-17.7	-13.5	-16.5
Non-controlling interests	A$m	0.0	0.0	0.0	0.0	0.0
Operating EBITDA	**A$m**	**3.7**	**3.1**	**14.3**	**21.8**	**27.0**
Underlying profit before income tax	A$m	6.0	2.4	15.9	23.1	28.2
Underlying profit after tax	**A$m**	**4.2**	**1.8**	**11.1**	**16.2**	**19.8**
Reported NPAT	A$m	-0.5	-4.3	7.8	14.1	17.8
Cash NPAT	A$m	3.0	-0.2	10.4	16.5	20.1
Weighted average ordinary shares	m	109.7	110.4	101.7	99.0	99.0
Weighted average diluted shares	m	86.0	83.3	93.5	99.0	99.0

INVESTMENT FUNDAMENTALS		FY23A	FY24A	FY25E	FY26E	FY27E
EPS - underlying	**cps**	**5.1**	**2.2**	**12.3**	**17.5**	**21.4**
EPS - basic	cps	-0.6	-5.2	8.6	15.3	19.3
EPS - diluted reported	cps	-0.6	-5.2	8.3	14.3	17.9
EPS - diluted cash	**cps**	**3.5**	**-0.2**	**11.1**	**16.7**	**20.3**
EPS growth	%	-85%	-107%	large	50%	22%
PE underlying	x	18.2	42.7	7.5	5.3	4.3
PE cash	x	26.4	-388.9	8.3	5.5	4.5
DPS	cps	3.0	3.0	4.0	8.0	11.0
Franking	%	100%	100%	100%	100%	100%
Dividend yield	%	3%	3%	4%	9%	12%
Payout ratio on cash profit	%	83%	large	36%	45%	50%
Operating cash flow per share	cps	0.1	-67.3	9.3	16.8	20.4
Free cash flow to equity per share	cps	-3.6	-4.2	8.8	15.8	19.4
FCF yield	%	-3.9%	-4.6%	9.6%	17.1%	21.0%
Enterprise value	$m	87	92	77	68	57
EV/Total Revenue	x	2.42	2.36	1.29	1.05	0.76
EV/EBITDA	x	23.5	29.5	5.4	3.13	2.13
NAV per share	A$	0.93	0.88	0.94	1.03	1.14
Price / NAV	x	0.99	1.05	0.98	0.89	0.81
NTA per share	A$	0.29	0.26	0.40	0.49	0.59
Price / NTA	x	3.15	3.50	2.29	1.88	1.56

BALANCE SHEET		FY23A	FY24A	FY25E	FY26E	FY27E
Cash and cash equivalents	A$m	14.2	9.1	23.7	32.7	43.6
Receivables	A$m	1.1	1.4	0.4	0.4	0.5
Property, plant and equipment	A$m	1.1	0.9	0.8	0.8	0.7
Goodwill and other intangibles	A$m	53.3	51.3	50.3	50.3	50.3
Other assets	A$m	21.2	30.2	57.2	63.6	71.3
Total Assets	**A$m**	90.9	92.9	132.4	147.8	166.4
Trade and other liabilities	A$m	5.7	6.7	16.9	24.7	33.6
Borrowings	A$m	0.0	0.0	0.0	0.0	0.0
Other liabilities	A$m	7.5	13.0	27.7	27.8	27.9
Total Liabilities	**A$m**	13.2	19.7	44.6	52.5	61.5
Net assets	**A$m**	**77.7**	**73.2**	**87.8**	**95.4**	**104.8**
Net tangible assets	**A$m**	**24.4**	**22.0**	**37.5**	**45.1**	**54.5**
Invested capital	**A$m**	**63.5**	**64.1**	**64.1**	**62.6**	**61.2**
Tangible invested capital	**A$m**	**10.2**	**12.9**	**13.8**	**12.3**	**10.9**
Contributed equity	A$m	133.0	132.7	117.6	117.6	117.6
Treasury shares	A$m	-34.0	-33.6	-8.6	-9.6	-9.6
Reserves	A$m	26.2	50.2	49.0	49.0	49.0
Accumulated losses	A$m	-47.4	-76.1	-70.2	-61.6	-52.1
Non-controlling interests	A$m	0.0	0.0	0.0	0.0	0.0
Total equity	**A$m**	**77.7**	**73.2**	**87.8**	**95.4**	**104.8**
Basic shares on issue	m	83.4	83.5	93.3	92.2	92.2

DUPONT ANALYSIS		FY23A	FY24A	FY25E	FY26E	FY27E
Net Profit Margin	%	-2%	-11%	13%	22%	24%
Asset Turnover	x	3.04	3.36	2.42	1.71	1.61
Return on Assets	%	-5%	-38%	31%	37%	38%
Financial Leverage	x	0.14	0.15	0.31	0.42	0.47
Return on Equity	%	-1%	-6%	10%	15%	18%

KEY RATIOS		FY23A	FY24A	FY25E	FY26E	FY27E
FuM	$m	3,050	3,345	3,707	4,136	4,657
Management fees / FuM	%	1.13%	1.12%	1.21%	1.25%	1.18%
Performance fees / FuM	%	0.00%	0.10%	0.49%	0.41%	0.43%
Revenue / FuM	%	1.13%	1.22%	1.70%	1.66%	1.61%
Operating EBITDA margin	%	10%	8%	24%	34%	36%
ROE - reported	%	-1%	-6%	10%	15%	18%
ROE - cash	%	4%	0%	13%	18%	20%
Net debt	**A$m**	**-14.2**	**-9.1**	**-23.7**	**-32.7**	**-43.6**
Interest cover	x					
Gearing (net debt / EBITDA)	x	-3.83	-2.92	-1.66	-1.50	-1.62
Leverage (net debt / invested capital)	x	-0.22	-0.14	-0.37	-0.52	-0.71

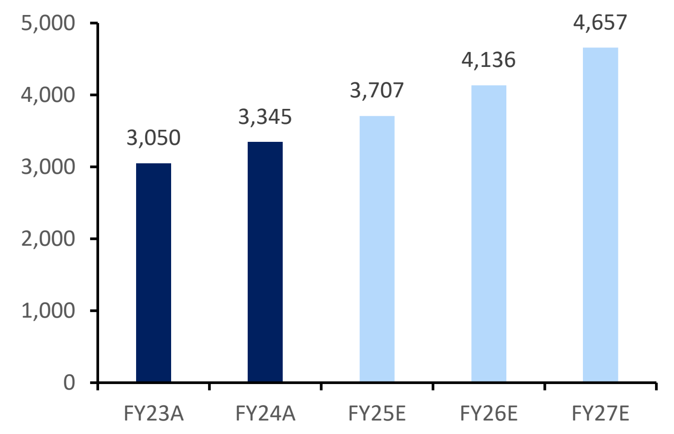
CASH FLOW		FY23A	FY24A	FY25E	FY26E	FY27E
Operating						
Net operating cashflow	**A$m**	**0.1**	**-56.0**	**8.7**	**16.6**	**20.2**
Investment						
Capital expenditure	A$m	-0.6	-0.3	-0.2	-0.1	-0.1
Acquisitions and divestments	A$m	-0.5	-2.0	-13.1	0.0	0.0
Net investment cashflow	**A$m**	**-1.1**	**-2.3**	**-13.3**	**-0.1**	**-0.1**
Financing						
Equity	A$m	-8.4	-1.6	6.4	-6.6	-8.3
Debt	A$m	-1.2	0.0	0.0	0.0	0.0
Leases	A$m	-0.9	-0.9	-0.9	-0.9	-0.9
Net financing cashflow	**A$m**	**-10.5**	**53.3**	**19.2**	**-7.5**	**-9.2**
Net cash flow	**A$m**	**-11.5**	**-5.1**	**14.6**	**9.0**	**10.9**
Free cash flow to equity	A$m	-3.1	-3.5	8.2	15.6	19.2

HALF YEARLY DATA		1H24A	2H24A	1H25A	2H25E	1H26E
Management fees	A$m	17.4	18.4	20.0	22.6	24.0
Performance fees	A$m	0.0	3.1	12.8	4.6	7.1
Total fee revenue	**A$m**	**17.4**	**21.6**	**32.8**	**27.2**	**31.1**
Net fund direct expenses	A$m	-1.5	-2.3	-2.4	-2.5	-2.6
Operating expenses	A$m	-8.3	-12.0	-11.5	-11.7	-12.1
Team profit share	A$m	-5.0	-6.7	-11.7	-6.0	-6.4
Non-controlling interests	A$m	0.0	0.0	0.0	0.0	0.0
Operating EBITDA	**A$m**	**2.6**	**0.6**	**7.2**	**7.0**	**10.1**
Underlying profit before income tax	A$m	3.9	-1.5	8.2	7.7	10.7
Underlying profit after tax	**A$m**	**2.9**	**-1.1**	**5.7**	**5.4**	**7.5**
Reported NPAT	A$m	-0.9	-3.5	3.5	4.3	6.5
Cash NPAT	A$m	1.1	-1.3	4.8	5.6	7.7
EPS - diluted cash	**cps**	1.3	-1.5	5.5	5.6	7.8
EPS - diluted reported	cps	-1.0	-4.2	4.0	4.3	6.5
DPS	cps	1.0	2.0	2.0	2.0	4.0

Source: PCG reports, Trim estimates

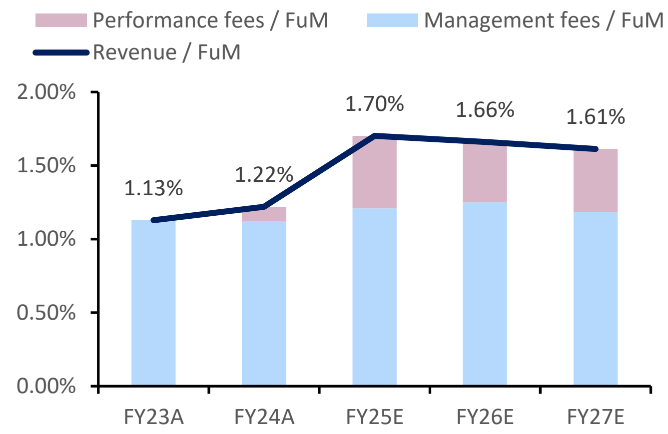
Key Charts

Figure 1: Funds Under Management (A$m)



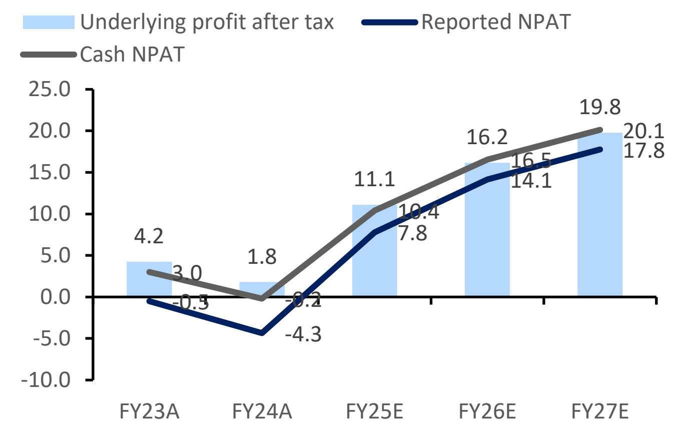
Source: Company reports, Trim Capital estimates

Figure 2: Revenue to FuM (%)



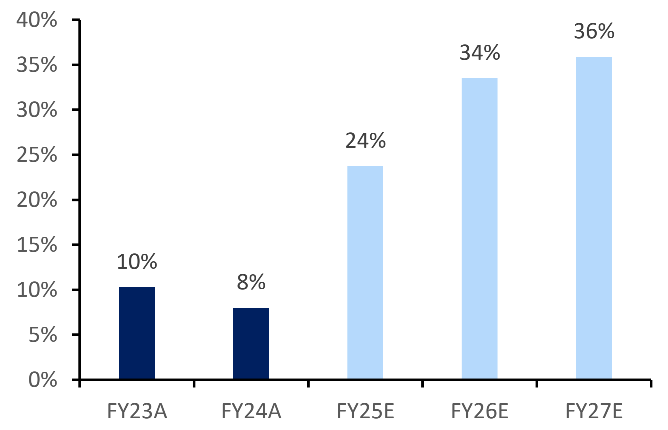
Source: Company reports, Trim Capital estimates

Figure 3: Net Profit After Tax (A$m)



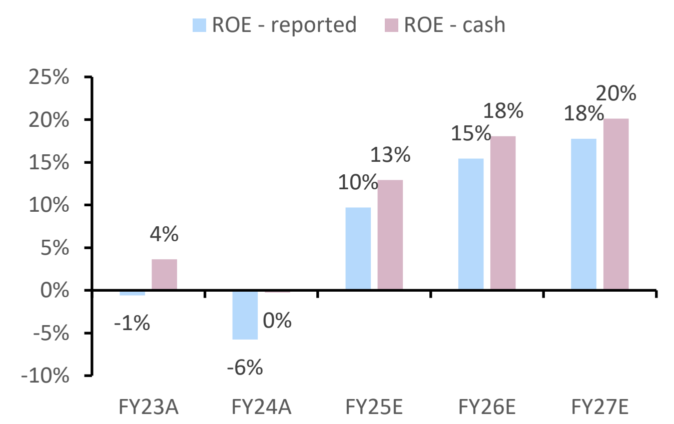
Source: Company reports, Trim Capital estimates

Figure 4: Operating EBITDA margins (%)



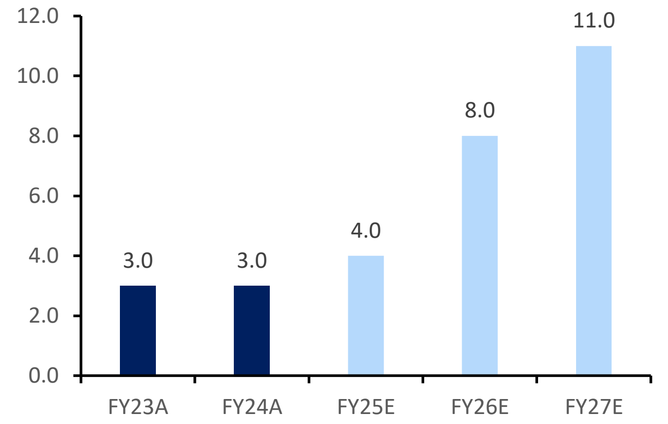
Source: Company reports, Trim Capital estimates

Figure 5: Return on Equity (%)



Source: Company reports, Trim Capital estimates

Figure 6: Dividends (cps)



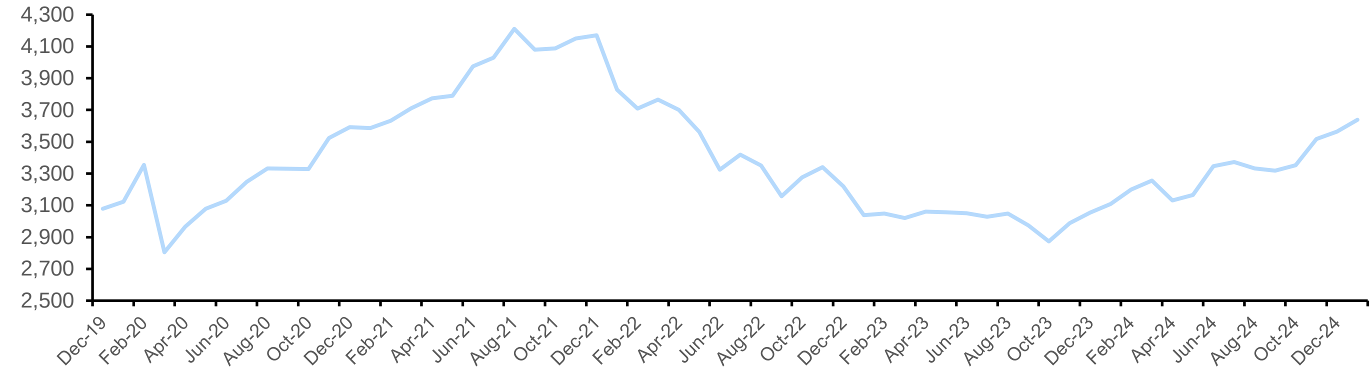
Source: Company reports, Trim Capital estimates

What's changed

1.) FuM recovery continues with performance fees returning to above average levels

Pengana reported that Funds under Management (FuM) for 31 December 2024 (1H25) stood at $3,563m, slightly higher than our expected $3,500m. Average FuM over the half was around $3,442m. Comparatively, average FuM over the half was 6.9% higher than the prior 2H24 half and 13.3% higher than the prior comparable period (31 December 2023). The recovery in FuM since its recent bottom in October 2023 continued in January 2025, where the company reported FuM of $3,638m.

Figure 7: Monthly FuM (A$m)

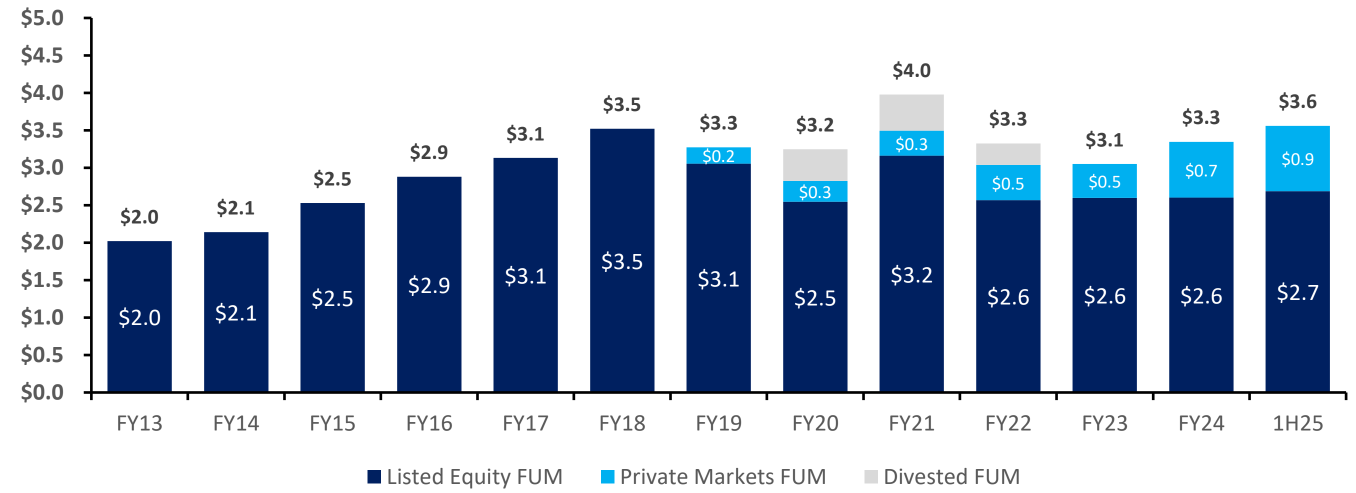


Source: Company Reports, Trim Capital estimates

Pengana also reported 1H25 performance fees of $12.8m, a welcome improvement and a return to an above average level of fees after four quarters of no or weak performance fees. Based upon fund performance, Pengana Emerging Companies, and Pengana High Conviction Equities would have likely been the main contributors to these performance fees. Strong performance by other funds which can earn performance fees potentially moved them closer to their prior high watermarks, increasing the likelihood of returning to earn performance fees in the future.

2.) Strong fund flows mostly driven by private credit

Figure 8: FuM breakdown between listed and private markets (A$m)



Source: Company Reports, Trim Capital estimates

With Pengana highlighting the split between its listed and private market FuM, we can replicate this disclosure using its six monthly fund FuM disclosures. Of the $0.22m in FuM growth over 1H25 vs FY24, two thirds of this growth (66%) was from private markets (credit, equity). This is consistent with Pengana's focus on expanding into private markets and the launch of new private credit products during the half (TermPlus, SMA). The strong performance of Pengana's High Conviction Equities fund, which was one of the best performing funds in Australia in 2024 with a +109.2% return, also attracted additional fund flows.

3) Gap between Underlying and statutory NTA reduces

The maturity of a significant portion of Pengana's Loan Funded Share Pans has seen a sizeable reduction in the balance of this item, which has led to underlying NTA and statutory NTA moving much closer together (as these loans are treated as treasury shares for accounting purposes, so are netted out on consolidation). This gap reduced from 22.04c or 78.2% of FY24's statutory NTA to just 6.66c or 16.8% of 1H25's statutory NTA. As the remaining loan funded share plans mature, this should see this gap close further.

4) Strong FuM growth and fee performance deliver strong earnings growth

Unsurprising, the strong growth in FuM, and strong fee performance, have delivered strong earnings growth for Pengana, leading us to lift our earnings forecasts.

5) Resumption of Share Buybacks

Pengana recently announced an on-market share buyback program that aims to purchase 10% of issued common shares over a 9-month period (expires on 28 November 2025). We note that there we no such buybacks made in 2024, and the last program was executed in 2023. Overall, we view this as Pengana management's confidence over their capital generation over the near-term and should be help improve share price and relevant financial metrics (ROE, EPS).

Actual vs Forecast

Figure 9: Actual result versus prior forecasts (A$m)

INCOME STATEMENT	1H25E	1H25A	AvE $	AvE %
Management fees	21.1	20.0	-1.1	-5%
Performance fees	5.7	12.8	7.1	124%
Transaction fees	0.0	0.0	0.0	n.a.
Total Fee Revenue	**26.8**	**32.8**	**6.0**	**22%**
Net fund direct expenses	-2.4	-2.4	0.0	0%
Operating expenses	-10.8	-11.5	-0.7	-6%
Team profit share	-7.8	-11.7	-3.9	-51%
Operating EBITDA	**5.8**	**7.2**	**1.4**	**24%**
Interest and investment income	0.4	0.4	0.0	10%
Interest on loan funded share plan	0.7	1.0	0.4	54%
Other gains/losses	0.0	-0.5	-0.5	n.a.
Underlying Profit before tax	**6.9**	**8.2**	**1.3**	**18%**
Income tax expense	-1.2	-2.3	-1.1	-90%
Depreciation and amortisation	-2.2	-1.4	0.8	37%
Other adjustments	-0.7	-1.0	-0.3	-47%
Reported NPAT	**2.8**	**3.5**	**0.7**	**24%**
Reported EPS (diluted)	0.03	0.04	0.01	47%
Underlying EPS (diluted)	**0.05**	**0.05**	**0.01**	**18%**
Dividend per share ($cps)	**13.0**	**2.0**	**-11.0**	**-85%**

Source: Company Reports, Trim Capital estimates

Forecast Revisions

We make the following changes to our earnings estimates for Pengana Capital Group Limited:

Figure 10: Estimate Revisions for Pengana Capital Group Limited

		FY25E			FY26E			FY27E		
		Old	New	% chg	Old	New	% chg	Old	New	% chg
FuM	A$m	**3,661.3**	**3,706.9**	**1.2%**	**4,082.0**	**4,135.5**	**1.3%**	**4,594.9**	**4,656.8**	**1.3%**
Management fees	A$m	42.9	42.6	-0.6%	47.4	49.0	3.5%	53.3	55.0	3.3%
Performance fees	A$m	9.7	17.4	80.1%	14.5	16.1	11.1%	18.3	20.1	9.4%
Total fee revenue	**A$m**	**52.6**	**60.0**	**14.2%**	**61.8**	**65.1**	**5.3%**	**71.6**	**75.1**	**4.9%**
Net fund direct expenses	A$m	-4.9	-4.9	0.4%	-5.4	-5.4	0.6%	-6.1	-6.1	0.5%
Operating expenses	A$m	-22.6	-23.2	-3.0%	-23.7	-24.4	-3.0%	-24.9	-25.6	-3.0%
Team profit share	A$m	-14.7	-17.7	-19.8%	-15.5	-13.5	13.0%	-18.5	-16.5	10.7%
Non-controlling interests	A$m	0.0	0.0	n.a.	0.0	0.0	n.a.	0.0	0.0	n.a.
Operating EBITDA	**A$m**	**10.4**	**14.3**	**37.6%**	**17.2**	**21.8**	**26.8%**	**22.2**	**27.0**	**21.5%**
Underlying profit before income tax	A$m	12.0	15.9	31.6%	18.4	23.1	25.4%	23.4	28.2	20.7%
Underlying profit after tax	**A$m**	**8.4**	**11.1**	**31.6%**	**12.9**	**16.2**	**25.4%**	**16.4**	**19.8**	**20.7%**
Reported NPAT	A$m	4.8	7.8	63.5%	9.7	14.1	45.6%	13.2	17.8	34.4%
Cash NPAT	**A$m**	**9.0**	**10.4**	**15.4%**	**13.8**	**16.5**	**20.3%**	**17.2**	**20.1**	**16.9%**
EPS diluted reported	cps	4.7	8.3	78.0%	9.8	14.3	45.7%	13.3	17.9	34.5%
EPS diluted cash	**cps**	**8.9**	**11.1**	**25.6%**	**13.9**	**16.7**	**20.4%**	**17.4**	**20.3**	**16.9%**
DPS	cps	15.0	4.0	-73.3%	8.0	8.0	0.0%	11.0	11.0	0.0%

Source: Pengana Capital Group Limited reports, Trim Capital estimates

The above earnings changes are due to:

- Incorporating the 1H25 result into our model;
- very modest changes to our FuM forecasts;
- reflecting the rising performance (reducing gaps to high watermarks), lifting our performance fee estimates;
- adjusting our team profit share forecast, given the growth of credit products.

Details of our revised earnings can be found on page 2, in our financial summary.

Valuation

We value Pengana at $1.79, equivalent to 16.1x our FY25E diluted cash eps. At the current share price, with the forecast return of performance fees in FY25 we estimate PCG is trading at 1.0x FY25E book, 2.3x FY25E NTA, an underlying cash FY25E PE of 8.3x, an FY25 EV/EBITDA of 5.4x, an FY25 EV/Revenue of 1.3x and a F12M dividend yield of 6.9%.

Figure 11: Current FY25E multiples for Pengana Capital Group Ltd

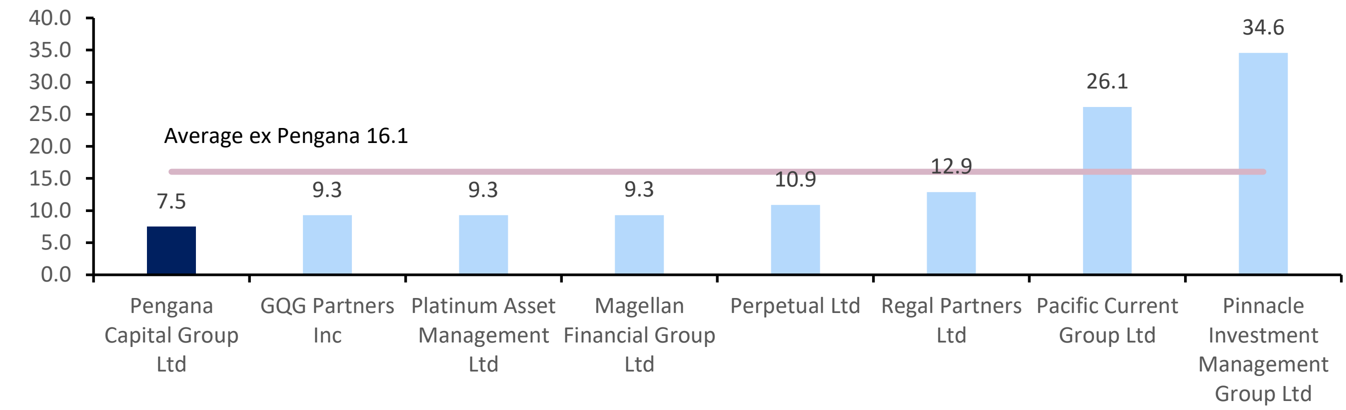
EV/Revenue	EV/EBITDA	P/E	P/CF	P/B	P/NTA	Dividend Yield %	ROE %
1.29	5.4	8.3	10.5	1.0	2.3	6.9%	9.7%

Source: Company reports, Trim Capital estimates

Peer comparative companies' valuation multiple analysis

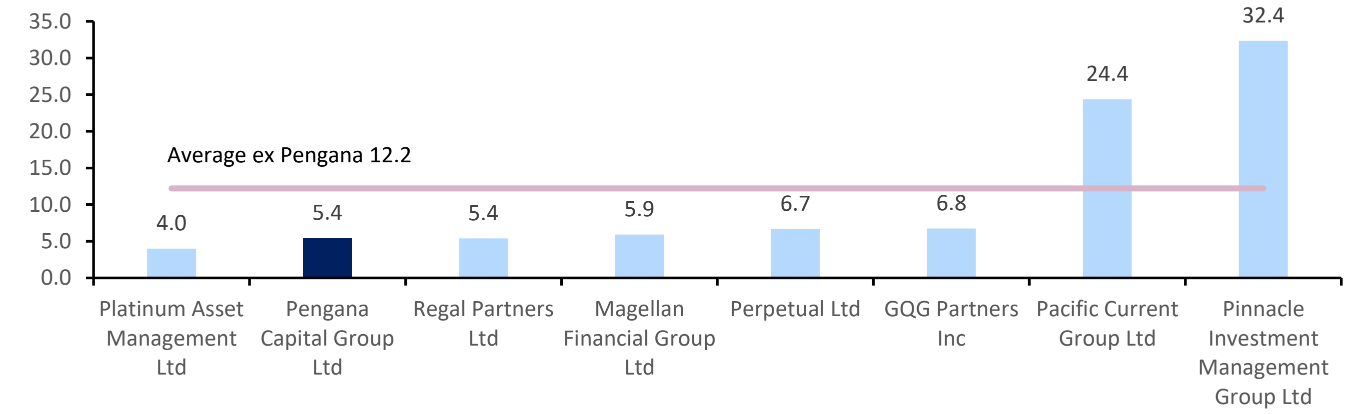
Pengana has several listed Australian asset manager peers, which we present in the charts below for FY25. Despite it also having a range of overseas peers which may be more appropriate benchmarks for it, given its ESG and alternatives offerings (which appear to be placed upon higher multiples), thereby perhaps providing a more appropriate range of multiples upon which to value the group, we think that due to its size and liquidity, Pengana will most likely be compared to its domestic peer set.

Figure 12: Selected comparable companies FY25E P/E multiples



Source: IBES, LSEG, Trim Capital estimates

Figure 13: Selected comparable companies FY25E EV/EBITDA multiples



Source: IBES, LSEG, Trim Capital estimates

PE multiple – primary valuation methodology

We place Pengana's FY25 diluted cash earnings of $0.111/share on a multiple of 16.1x, the average where its Australian peers (excluding Pengana) trade. This produces a valuation of $1.79.

Validation approaches

To validate our primary valuation method, we use an EV/EBITDA multiple and a General Residual Income Model. We assume a risk-free rate of 4.0 % and an equity risk premium of 5.0% with a beta of 1x to derive a cost of equity ("COE") of 9%. For our general residual income model, we use a two-stage model, using our explicit EPS and BVPS forecasts over the next five years, followed by a terminal value based upon a 3.0% growth rate (refer to Figure). Our general residual income model includes the return of performance fees for Pengana. We think it is a mistake to value Pengana without some level of performance fees as the earnings from future performance fees are in effect an embedded real option, and hence have a value now, even if several funds are not currently accruing them in the income statement.

Figure 14: Trim Capital General Residual Income Model of Pengana Capital Group Ltd

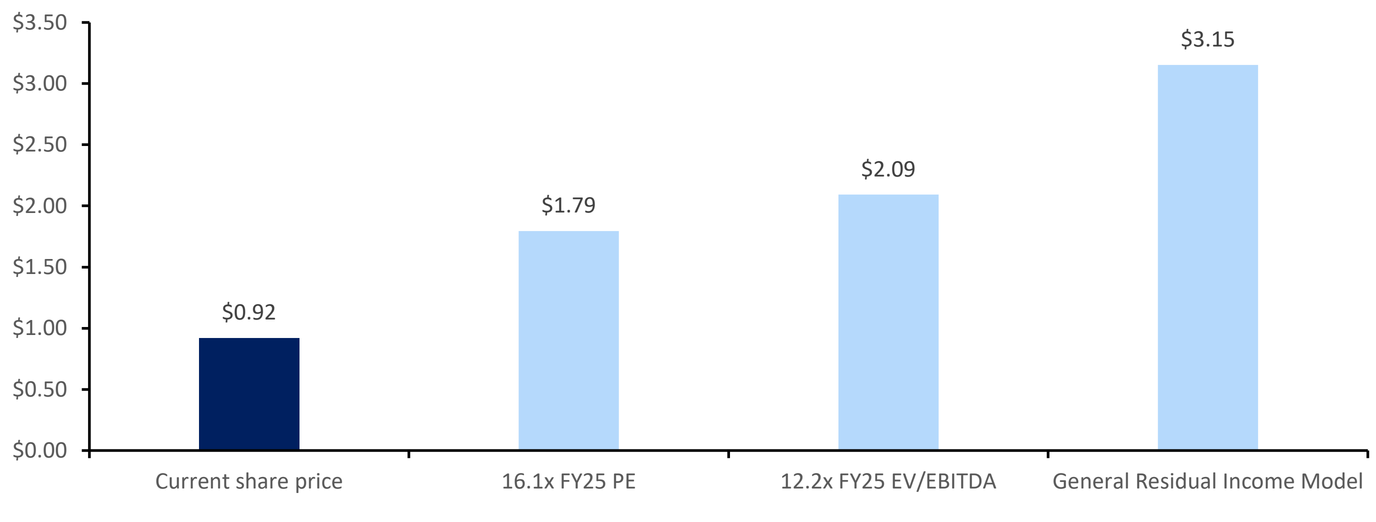
Current date		5-Mar-25										
Last balance date		31-Dec-24										
		Dec-24	Jun-25	Dec-25	Jun-26	Dec-26	Jun-27	Dec-27	Jun-28	Dec-28	Jun-29	Dec-29
Book value per share	A$	0.92	0.94	0.99	1.03	1.09	1.14	1.19	1.25	1.32	1.39	1.48
Equity charge	A$		-0.04	-0.04	-0.04	-0.05	-0.05	-0.05	-0.05	-0.06	-0.06	-0.06
Cash EPS	A$	0.05	0.06	0.08	0.09	0.10	0.10	0.11	0.12	0.13	0.14	0.15
Residual income	A$	**0.05**	**0.02**	**0.04**	**0.05**	**0.05**	**0.05**	**0.06**	**0.06**	**0.07**	**0.08**	**0.09**
Discounted cash flow	A$	**0.00**	**0.01**	**0.03**	**0.04**	**0.05**	**0.04**	**0.05**	**0.05**	**0.05**	**0.05**	**0.06**

Sum of discount streams	A$	0.43	**CAPM**	
Future value into perpetuity	A$	2.72	Risk free rate	4.00%
NPV of terminal value	A$	1.79	Equity beta	1
add net assets	A$	0.92	Equity risk premium	5.00%
Residual income value per share	**A$**	**3.15**	Cost of equity	9.00%
P/B multiple implied by GRIM valuation	x	3.45	Terminal growth	3.0%
Upside/downside	%	243%		

Source: Company reports, Trim Capital estimates

Placing Pengana on an FY25 EV/EBITDA multiple of 12.2x, the average of its peer group, produces a valuation of $2.09 per share. Our General Residual Income Model produces a valuation of $3.15 per share. From the current share price is 95% upside to our PE multiple valuation, 127% upside to our EV/EBITDA multiple valuation and 243% upside to our General Residual Income Model valuation.

Figure 15: Trim Capital valuation approaches (A$ per share)



Source: Company reports, Trim Capital estimates

Investment Thesis

Pengana Capital Group ("Pengana") is currently trading on low multiples relative to peers despite a recovery in FuM and the return of performance fees, driving a recovery in profitability. The recovery in FuM, which bottomed in October 2023, and has risen almost every month since, seems to have escaped the market given the fall in Pengana's share price over the same period.

We believe that the following factors will drive improved share price performance:

- **Pivot to private markets:** growth initiatives such as Private Credit and Private Markets are set to provide further performance fee diversification as well as higher FuM growth,
- **Performance fees:** performance fees should improve as more funds exceed their prior high watermarks, which once exceeded should deliver performance fees,
- **Earnings:** are set to rise with higher FuM and improving fee revenues,
- **Market positioning:** With the recovery of earnings, the stock appears very cheap on forward multiples, and on intrinsic valuation methods.

With two large substantial strategic shareholders - its CEO & co-founder and Soul Patts – there is minimal liquidity in the stock, which potentially positions it for a squeeze should another investor seek to build a sizeable position in the company.

Catalysts

	Expectation	Timing
Better than expected FuM growth	• FuM growth is leveraged to markets, flows, new product launches and investor sentiment. With Pengana's share price falling as FuM has been increasing in recent months, we believe the market has overlooked this rebound in FuM.	• Monthly FuM updates, around the middle of the following month provide close to real time information on FuM balances.
Improvement in performance fees	• As more funds exceed their high watermarks, we should see the continued recovery of performance fees.	• We now forecast 49 bps of performance in FY25, easing to 41 bps in FY26, still well below the 90bps level achieved in FY22.
Interest rates	• Australia is set to lag other developed economies in cutting interest rates.	• Cuts have already occurred in the US, UK, Europe, Canada and NZ; RBA have just recently started on February 2025.

Risks

As with any investment, there are certain risks associated with operations as well as the surrounding economic and regulatory environments common to the industry. The Australian Institute of Company Directors encourages directors to think about risks under a strategic, financial and operational category framework.

Figure 16: Risks

Strategic	Financial	Operational
Dynamic and changing market	Macroeconomic conditions	Governance
New and innovative offerings	Liquidity and funding risks	Key personnel
Initiatives to capture market share	Credit risk	Information technology
Capabilities and culture	Fraud	Cybersecurity and data protection
Reputation		Force majeure events
Obsolescence		Litigation, claims and disputes

Source: Company reports, Trim Capital estimates

Furthermore, there are significant compliance risks. Given regulators' powers these can become strategic, financial and/or operational risks. The recent move by the Australian Treasurer to advance a "financial sector regulatory initiatives grid" to push regulators to consider how changes are introduced to avoid overburdening financial institutions, based on a similar policy used in the UK, should assist in managing the risk around implementing changes in compliance requirements.

Figure 17: Regulatory compliance matrix

Regulator	Regulates
AUSTRAC	Anti-money laundering and counter terrorist financing requirements
Office of the Australian Information Commissioner (OAIC)	Australian Privacy Principles
Australian Prudential Regulatory Authority (APRA)	Prudential regulation
Australian Securities and Investments Commission (ASIC)	Financial Service licencing and Credit licencing administered by the Australian Securities and Investments Commission (ASIC);
Australian Competition and Consumer Commission (ACCC)	Australian Consumer Law and unfair contract terms contained in the Corporations Act
Australian Taxation Office (ATO)	Taxation legislation
Australian Accounting Standards Board (AASB) and ASIC	Accounting standards required under the Corporations Act

Source: Company reports, Trim Capital estimates

Since 2018 APRA has had the power to regulate non-APRA regulated lenders should APRA determine that those lenders are materially contributing to financial stability risks. Pengana's Private debt funds might qualify as a non-bank lender (but highly unlikely given the way these funds have been structured) and while they wouldn't normally be regulated by APRA, could in extreme circumstances if APRA seeks implement regulations to address systemic risks.

TRIM CAPITAL

Disclosures and Disclaimers

This research is issued in Australia by Glen Wellham (AR 1276375) of Trim Cap Pty Ltd (ABN 87643977351, CAR 1276369) a Corporate Authorised Representative of Trim Capital Pty Ltd (ABN 87643977351, AFSL 526147) ("Trim Capital"). The company covered in this report is currently a research client of Trim Cap Pty Ltd who has commissioned Trim Cap Pty Ltd to write this report, or may become one in the future. The information used to write this report is from public sources only, including any assistance or information provided by the company for the purposes of preparing this report. Trim Capital prohibits its research analysts and household members from trading in securities of any company for which the analysts write research. If any other employee of Trim Capital and its associated body corporates hold shares in the company covered, it will be stated on the front page of this report.

WARNING: This research report and any access to it, is intended only for "wholesale clients" within the meaning of the Corporations Act 2001 of Australia. This report is intended to only provide general securities advice and does not purport to make any recommendation that any securities transaction is appropriate for any recipient's particular investment objectives, financial situation or particular needs. Prior to making any investment decision, recipients should assess, or seek advice from their advisers, on whether any relevant part of this report is appropriate to their individual circumstances and needs. Past performance is not indicative of future performance.

If a recipient was referred to Trim Capital by an investment adviser, that adviser may receive a benefit in respect of transactions effected on the recipient's behalf, details of which will be available on request in regard to a transaction that involves a personalised securities recommendation. This report is not intended for, nor should it be distributed to, or used by, any person or entity who is a citizen or resident of, or situated in, any region, state, country, or jurisdiction where such actions would be against the law or regulations or would impose any registration or licensing obligations on Trim Capital in that jurisdiction. This report may not be modified, reproduced, distributed or published for any purpose, unless authorised by Trim Capital.

DISCLAIMER: The information and opinions contained in this report have been obtained from sources believed to be reliable, but no representation or warranty, express, or implied, is made that such information is accurate or complete and it should not be relied upon as such. Except to the extent that liability cannot be excluded, Trim Capital does not accept any liability for any direct, indirect, incidental, consequential, or punitive damages arising from any use of the material contained in this report or for any errors or omissions in such information or opinion. Information and opinions contained in the report are not to be relied upon as authoritative or taken in substitution for the exercise of judgement by any recipient and are subject to change without notice.

Trim Capital provides valuation analysis – it does not provide, nor has previously provided, price targets or ratings for covered companies. This report is not, and should not be construed as, an offer document or an offer or solicitation to buy or sell any investments. We recommend you obtain financial, legal and tax advice before making any investment decision.

DISCLOSURE: Trim Capital may seek to do business with companies mentioned in its reports. Additionally, Trim Capital within the previous twelve months may have acted as an investment/commercial banker or may have provided significant advice or investment services to the companies or in relation to the investments mentioned in this report. Staff involved with the preparation of research have regular interaction with companies they cover. Trim Capital has effected a conflicts policy, which may be revised and updated from time to time, pursuant to regulatory requirements, which sets out how we identify and manage conflicts of interest.

PRIVACY & ACCESS: At Trim Capital, we take your privacy seriously. If you believe receiving this publication in any way intrudes on your privacy, please contact us and we will ensure you do not receive any similar correspondence in the future. Our Privacy Policy can be found here. Access to our investment research via our website is subject to our Terms of Use which can be accessed here.