

PENGANA HIGH CONVICTION EQUITY FUND RESPONSIBLE INVESTMENT POLICY

INTRODUCTION AND PURPOSE

Pengana Capital Ltd ACN 103 800 568 (“PCL” or “Responsible Entity”) is a responsible entity and is a fully owned subsidiaries of Pengana Capital Group Limited (“PCG” or “Pengana”), an ASX-listed investment management company. This Policy outlines the approach to responsible investment for the Pengana High Conviction Equities Fund (“PHC”) and summarises the Environmental, Social and Governance (“ESG”) factors that are considered when engaging with investee companies, including the principles and guidelines under which rights to vote are exercised by PCL for PHC’s investee companies.

SCOPE

This Policy outlines the approach to responsible investment for the Pengana High Conviction Equities Fund and is subject to local laws and regulations in applicable foreign jurisdictions.

Local laws and regulations may be stricter than the practices set out in this Policy and may impose additional limitations or requirements on a local business unit. Where local requirements are more stringent than those set out in this Policy, the local legislation will prevail.

RESPONSIBLE INVESTMENT PROCESS

The Responsible Entity has adopted a Responsible Investment and ESG policy, implemented by the Investment Team with oversight by Pengana Capital Group Limited (“Pengana”).

The Responsible Entity is committed to responsible investing and seeks to avoid investing in businesses that are, in its opinion, currently involved in activities that are unnecessarily harmful to people, animals or the environment.

Utilising a monitoring service provided by Sustainalytics, the Responsible Entity monitors the portfolio for negative screen compliance, portfolio ESG risk, consideration of new and ongoing controversies, review of voting records and engagement and monitoring the sustainability and carbon risk of the portfolios against peers and appropriate benchmarks.

NEGATIVE SCREENS

The Responsible Entity seeks to avoid investing in businesses that are, in its opinion, currently involved in activities that are unnecessarily harmful to people, animals or the environment.

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

The Fund does not invest in producers of tobacco, manufacturers of nicotine alternatives and tobacco-based products, or companies involved in the development and production of controversial or nuclear weapons.

Before a company is added to a portfolio, the extent of an investee company's business involvement in screened activities is assessed by reference to a report sourced from Sustainalytics, an independent provider of ESG and corporate governance research and ratings. The report forms the basis for our assessment of business involvement and recent controversies related to the company in question. The Pengana Capital Group ("PCG") Risk Officer has final veto power on whether a stock meets the screening criteria for inclusion in the portfolio.

Screened activities	Pengana High Conviction Equities Fund
Adult content	5% or more revenue from the production of adult content 15% or more aggregate revenue from the production, distribution and retail of adult content
Alcohol	5% or more revenue from the production of alcohol 15% or more aggregate revenue from the production, distribution and retail of alcohol
Non-medical, non-regulatory animal testing	Excludes companies involved in non-regulatory animal testing for non-medical products where there is no legal requirement
Fossil fuels (GICS 101020)	Nil investment in companies with the global industry classification standard (GICS) 101020 "Oil, Gas and Consumable Fuels"
Gambling	5% or more revenue from ownership or operation of gambling-related business activities 15% or more aggregate revenue from gambling-related business activities
Genetically modified organisms in agriculture	5% or more revenue from the development or growth of Genetic Engineering - agriculture
Human rights abuses and exploitation	Serious or systematic controversies relating to human rights violations
Nuclear	5% of total electricity distributed from nuclear power in a given year 5% of power generating capacity attributed to nuclear sources in a given fiscal year.
Palm oil production	Companies involved in Palm oil production or Serious or systematic logging related controversies
Securities from issuers on UN sanctions list	
Tobacco	Nil revenue from the growth, production or licencing of tobacco products, nicotine alternatives and tobacco-based products 15% or more aggregate revenue from the distribution and retail of tobacco products, nicotine alternatives and tobacco-based products
Weapons	Nil revenue from the manufacture, development and/or production of controversial weapons (being biological and chemical weapons, depleted uranium ammunition/armour, anti-personnel mines or cluster munitions/submunitions and their key components). Nil revenue from the development, production and maintenance of nuclear weapons. 15% or more aggregate revenue from the production, distribution and retail of firearms and ammunitions.

ENVIRONMENTAL, SOCIAL, AND GOVERNANCE (ESG)

Governance policies, environmental footprint and corporate social responsibility all have the potential to impact a company's valuation and long-term financial performance. ESG risk management aligns with long-term investment goals.

Implementation and incorporation of ESG analysis into our investment process is reflected differently across companies, sectors and regions, and is an evolving process.

Assessing a company's corporate governance practices is an important aspect of the investment process. We recognize that there is no one single indicator with global application that identifies when companies are failing to adopt best corporate governance practices, that different markets may adopt different practices and structures of corporate governance, and that best practice may change and evolve over time. Therefore, our approach to corporate governance may change according to a company's local laws, regulations, and established guidelines. In addition, we may refer to the Organisation for Economic Co-operation and Development ("OECD") Principles of Corporate Governance, as they represent widely accepted standards for corporate governance in many countries.

We believe that companies will generally be judged to be environmentally and socially responsible corporate citizens if they act in the interests of their shareholders, obey relevant local laws, and seek to comply with prevailing community expectations about corporate responsibilities. Standards and community expectations have evolved over time and we believe that this will continue.

ESG considerations are not only sector and company specific but can also encompass global thematic issues such as climate change or country specific issues such as political risks.

There is not a commonly adopted rating or benchmark used to measure a company's ESG standing. Guided by the standards developed by the Sustainability Accounting Standards Board (SASB) and using Sustainalytics as our primary data source, we have developed a filter that identifies the subset of relevant sustainability factors most likely to have financially material impacts for a sector/industry. This supplements meetings with management, company reporting and other desktop research and also forms the basis for on-going engagement with investee companies.

Investment decisions are based on both financial and non-financial considerations, including the results from the ESG risk review. Significant ESG issues that affect a company's value drivers such as sales or profit margins may impact our assessment of intrinsic value or may lead us not to invest or to divest from a holding. The potential financial impacts of ESG risks/opportunities are considered when determining a company's valuation and may impact the weighting of the investment in the overall portfolio.

Consideration of ESG issues raised by prospective and existing investments are investigated within the investment research process and discussed at Investment Team meetings as required. The potential financial impacts of ESG risks/opportunities are considered when determining a company's valuation and may impact the weighting of the investment in the overall portfolio.

MONITORING

Utilising a monitoring service provided by Sustainalytics, the Responsible Entity monitors the portfolio for negative screen compliance, portfolio ESG risk, consideration of new and ongoing controversies, review of voting records and engagement and monitoring the sustainability and carbon risk of the portfolios against peers and appropriate benchmarks.

The portfolio is monitored on an ongoing basis for contraventions of the ethical screen, major controversies and ESG related issues, utilising a monitoring service provided by Sustainalytics. Using this analysis in conjunction with Pengana's own analysis, the Investment Team and Pengana's Risk Team use their judgement to determine whether the issue amounts to a sufficiently material breach to warrant exiting the position.

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

An oversight committee meets at least quarterly and agenda items include monitoring of the portfolio for negative screen compliance, monitoring investee companies with higher ESG risk relative to the average portfolio holding, discussion of material ESG issues for a company or sector, consideration of new and ongoing controversies, review of voting records, consideration of engagement opportunities and monitoring the sustainability and carbon risk of the portfolios against peers and appropriate benchmarks.

REVIEW AND ASSESSMENT

This Policy is reviewed and updated from time to time to ensure that it remains relevant, current and compliant with all applicable laws, and guidance notes.

DATED: SEPTEMBER 2023