

Pengana High Conviction Equities Fund

ARSN 602 546 332

Interim report

For the half-year ended 31 December 2022

Pengana High Conviction Equities Fund

ARSN 602 546 332

Interim report

For the half-year ended 31 December 2022

Contents

	Page
Directors' report	2
Auditor's independence declaration	4
Statement of comprehensive income	5
Statement of financial position	6
Statement of changes in equity	7
Statement of cash flows	8
Notes to the financial statements	9
Directors' declaration	14
Independent audit report to the unitholders of Pengana High Conviction Equities Fund	15

This interim report does not include all of the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2022 and any public announcements made in respect of Pengana High Conviction Equities Fund during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

This interim 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 half-year ended 31 December 2022.

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 half-year.

There were no significant changes in the nature of the Fund's activities during the half-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 half-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:

	Half-year ended	
	31 December 2022	31 December 2021
	\$	\$
Operating profit/(loss) before finance costs attributable to unitholders	<u>1,614,075</u>	<u>(1,262,215)</u>

Russia-Ukraine conflict

The Directors of the Responsible Entity acknowledge the market disruptions associated with current geopolitical events. These have and will continue to have a global impact and uncertainty exists as to their implications.

This is one of the many factors that are evaluated when making investment decisions for the fund.

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 half-year.

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.

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.

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
15 March 2023



**Building a better
working world**

Ernst & Young
200 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
ey.com/au

Auditor's Independence Declaration to the Directors of Pengana Capital Limited

As lead auditor for the review of the half-year financial report Pengana High Conviction Equities Fund for the half-year ended 31 December 2022, 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 review;
- b. No contraventions of any applicable code of professional conduct in relation to the review, and
- c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the review.

Ernst & Young

Ernst & Young

Jaddus M D Manga Keta

Jaddus Manga
Partner
15 March 2023

Pengana High Conviction Equities Fund
Statement of comprehensive income
For the half-year ended 31 December 2022

	Notes	Half-year ended	
		31 December	31 December
		2022	2021
		\$	\$
Investment income			
Interest income		67,419	-
Dividend income		995,468	68,707
Net foreign exchange loss		(104,960)	(50,337)
Net gains/(losses) on financial instruments held at fair value through profit or loss		1,071,745	(745,373)
Other operating income		49	-
Total net investment income/(loss)		2,029,721	(727,003)
Expenses			
Management fees		301,280	396,599
Transaction costs		89,776	93,875
Withholding tax		1,712	8,175
Other operating expenses		22,878	36,563
Total operating expenses		415,646	535,212
Operating profit/(loss)		1,614,075	(1,262,215)
Finance costs attributable to unitholders			
(Increase)/decrease in net assets attributable to unitholders	3	(1,614,075)	1,262,215
Profit/(loss) for the half-year		-	-
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME		-	-

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

Pengana High Conviction Equities Fund
Statement of financial position
As at 31 December 2022

	Notes	As at	
		31 December 2022 \$	30 June 2022 \$
Assets			
Cash and cash equivalents		6,152,912	5,540,628
Receivables	5	36,563	44,265
Financial assets at fair value through profit or loss	4	<u>30,360,998</u>	<u>31,365,905</u>
Total assets		36,550,473	36,950,798
Liabilities			
Payables	6	<u>51,910</u>	<u>75,870</u>
Total liabilities (excluding net assets attributable to unitholders)		51,910	75,870
Net assets attributable to unitholders - Liability	3	<u>36,498,563</u>	<u>36,874,928</u>

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

Pengana High Conviction Equities Fund
Statement of changes in equity
For the half-year ended 31 December 2022

	Half-year ended	
	31 December	31 December
	2022	2021
	\$	\$
Total equity at the beginning of the half-year		
Profit/(loss) for the half-year	-	-
Other comprehensive income	-	-
Total comprehensive income for the half-year	-	-
Transactions with owners in their capacity as owners	-	-
Total equity at the end of the half-year	<u>-</u>	<u>-</u>

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 half-year.

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

Pengana High Conviction Equities Fund
Statement of cash flows
For the half-year ended 31 December 2022

	Half-year ended	
	31 December	31 December
	2022	2021
	\$	\$
Cash flows from operating activities		
Proceeds from sale of financial instruments at fair value through profit or loss	22,520,966	22,590,093
Purchase of financial instruments at fair value through profit or loss	(20,444,314)	(23,980,299)
Dividends received	1,004,085	59,557
Interest received	53,269	-
GST received/(paid)	1,828	(2,447)
Other operating income received	49	-
Management fees paid	(304,093)	(391,111)
Performance fees paid	-	(634,345)
Withholding tax paid	(562)	(8,157)
Transaction costs paid	(89,776)	(94,187)
Payment of other operating expenses	(23,462)	(36,097)
Net cash inflow/(outflow) from operating activities	2,717,990	(2,496,993)
Cash flows from financing activities		
Proceeds from applications by unitholders	538,447	7,105,771
Payments for redemptions by unitholders	(2,539,193)	(2,214,300)
Distributions paid	-	(940,771)
Net cash inflow/(outflow) from financing activities	(2,000,746)	3,950,700
Net increase in cash and cash equivalents	717,244	1,453,707
Cash and cash equivalents at the beginning of the half-year	5,540,628	2,579,049
Effect of foreign currency exchange rate changes on cash and cash equivalents	(104,960)	(50,337)
Cash and cash equivalents at the end of the half-year	6,152,912	3,982,419

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

Contents of the notes to the financial statements

	Page
1 Basis of preparation of interim report	10
2 Fair value measurements	10
3 Net assets attributable to unitholders	12
4 Financial assets at fair value through profit or loss	12
5 Receivables	13
6 Payables	13
7 Accounting impacts of Russia-Ukraine conflict	13
8 Events occurring after the reporting date	13
9 Contingent assets and liabilities or commitments	13

1 Basis of preparation of interim report

These general purpose financial statements for the half-year ended 31 December 2022 have been prepared in accordance with the Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

The financial report covers 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 report is presented in Australian dollars.

This interim financial report does not include all of the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2022 and any public announcements made in respect of Pengana High Conviction Equities Fund during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The financial statements were authorised for issue by the directors on 15 March 2023. The directors of the Responsible Entity have the power to amend and reissue the financial report.

(a) New accounting standards and interpretations

New and amended standards adopted by the Fund

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2022 that have a material impact on the amounts recognised in the prior periods or will affect the current or future periods.

2 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

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.

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.

2 Fair value measurements (continued)

(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 arm's length 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.

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 31 December 2022 and 30 June 2022.

31 December 2022	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets at fair value through profit or loss				
Listed equity securities	<u>30,360,998</u>	<u>-</u>	<u>-</u>	<u>30,360,998</u>
Total	<u>30,360,998</u>	<u>-</u>	<u>-</u>	<u>30,360,998</u>
30 June 2022	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets at fair value through profit or loss				
Listed equity securities	<u>31,365,905</u>	<u>-</u>	<u>-</u>	<u>31,365,905</u>
Total	<u>31,365,905</u>	<u>-</u>	<u>-</u>	<u>31,365,905</u>

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 half-year ended 31 December 2022.

Fair value measurements using significant unobservable inputs (level 3)

There were no investments classified as Level 3 within the Fund as at 31 December 2022 and 30 June 2022.

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.

3 Net assets attributable to unitholders

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

	Half-year ended			
	31 December 2022 No.	31 December 2021 No.	31 December 2022 \$	31 December 2021 \$
Net assets attributable to unitholders				
- Class A				
Opening balance	11,208,253	12,378,503	23,644,211	36,451,219
Applications	70,736	1,970,894	153,998	5,645,401
Redemptions	(527,822)	(718,573)	(1,127,526)	(2,033,556)
Increase/(decrease) in net assets attributable to unitholders	-	-	1,031,701	(1,082,491)
Closing balance	<u>10,751,167</u>	<u>13,630,824</u>	<u>23,702,384</u>	<u>38,980,573</u>
Net assets attributable to unitholders				
- Class B				
Opening balance	14,828,181	6,064,835	13,230,717	7,499,578
Applications	388,379	1,227,065	374,192	1,463,055
Redemptions	(1,538,508)	(177,973)	(1,391,104)	(210,197)
Increase/(decrease) in net assets attributable to unitholders	-	-	582,374	(179,724)
Closing balance	<u>13,678,052</u>	<u>7,113,927</u>	<u>12,796,179</u>	<u>8,572,712</u>

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.

The Fund considers its net assets attributable to unitholders as a liability. 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.

4 Financial assets at fair value through profit or loss

	As at	
	31 December 2022 Fair value \$	30 June 2022 Fair value \$
Financial assets at fair value through profit or loss		
Listed equity securities	<u>30,360,998</u>	<u>31,365,905</u>
Total financial assets at fair value through profit or loss	<u>30,360,998</u>	<u>31,365,905</u>

5 Receivables

	As at	
	31 December 2022	30 June 2022
	\$	\$
Dividends receivable	-	8,617
Interest receivable	15,866	1,716
Reduced Input Tax Credit receivable	11,706	13,534
Applications receivable	594	10,851
Withholding tax reclaims receivable	8,397	9,547
	<u>36,563</u>	<u>44,265</u>

6 Payables

	As at	
	31 December 2022	30 June 2022
	\$	\$
Management fees payable	48,202	51,015
Redemptions payable	-	20,563
Other expenses payable	3,708	4,292
	<u>51,910</u>	<u>75,870</u>

7 Accounting impacts of Russia-Ukraine conflict

The Directors of the Responsible Entity acknowledge the market disruptions associated with current geopolitical events. These have and will continue to have a global impact and uncertainty exists as to their implications.

This is one of the many factors that are evaluated when making investment decisions for the fund.

8 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 31 December 2022 or on the results and cash flows of the Fund for the half-year ended on that date.

9 Contingent assets and liabilities or commitments

There are no outstanding contingent assets and liabilities or commitments as at 31 December 2022 and 30 June 2022.

Directors' declaration

In the opinion of the Directors of the Responsible Entity:

- (a) The financial statements and notes set out on pages 5 - 13 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 31 December 2022 and of its performance for the financial half-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.

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



Katrina Glendinning
Director
Pengana Capital Limited
15 March 2023



Ernst & Young
200 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
cy.com/au

Independent Auditor's Review Report to the Unitholders of Pengana High Conviction Equities Fund

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Pengana High Conviction Equities Fund (the Trust), which comprises the statement of financial position as at 31 December 2022, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Trust does not comply with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the Trust's financial position as at 31 December 2022 and of its financial performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report. We are independent of the Trust 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 annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Directors' responsibility for the half-year financial report

The directors of Pengana Capital Limited, the Responsible Entity of the Trust, are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and



**Building a better
working world**

fair view of the Trust's financial position as at 31 December 2022 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Ernst + Young

Ernst & Young

Jaddus M. Manga

Jaddus Manga
Partner
Sydney
15 March 2023