ASX: PIA

PENGANA INTERNATIONAL EQUITIES LIMITED

30 JUNE 2023

ANNUAL REPORT

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ANNUAL REPORT

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PENGANA INTERNATIONAL EQUITIES LIMITED

COMPANY PROFILE

Pengana International Equities Limited is an Australian Listed Investment Company whose operating activity involves investing its Australian capital into businesses that are listed on global security exchanges.

The Company is listed on the Australian Securities Exchange (“ASX”) under the code PIA.

PIA’s investment manager is Pengana Investment Management Limited (“PIML”), a wholly owned subsidiary of Pengana Capital Group (PCG). PCG also provides financial management and marketing support.

Harding Loevner LP (“Harding Loevner”) is PCG’s investment team for PIA. Harding Loevner is a New Jersey-based global equity fund manager formed in 1989. PCG’s partnership with Harding Loevner provides Australian retail investors exclusive access to Harding Loevner’s extensive global expertise, usually only accessible to institutional investors.

Corporate objective

PIA’s objective is to provide shareholders with capital growth over the long term from investing in an ethically screened and actively managed portfolio of global businesses in addition to providing shareholders with regular, reliable and fully franked dividends.

Investment strategy

The strategy to invest globally in high-quality, growing businesses based on disciplined industry research has been implemented by Harding Loevner since 1989.

The strategy seeks superior risk-adjusted returns, generated through investing in companies that meet the investment team's high quality and durable growth criteria at reasonable prices.

These companies are identified through the conduct of fundamental research, with a long-term, global perspective, and must exhibit the following four key investment criteria: competitive advantages, quality management, financial strength, and sustainable growth potential.

Responsible Investment

The Company 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.

The Company invests in businesses selected through Harding Loevner’s Responsible Investment process that pass PCG’s ethical screens.

Ethical Screens

PCG utilises a screening process which seeks to avoid investment in companies that derive significant operating revenues from direct and material business involvement in these sectors:

Adult content	Gambling	Mining (GICS 151040)
Alcohol	Non-regulatory animal testing	Nuclear
Genetically modified organisms in agriculture	Human rights abuses and exploitation	Securities from issuers on UN sanctions list
Fossil fuels (GICS 101020)	Severe Impact on Ecosystems	Tobacco
		Weapons

Responsible Investment Process - Incorporation of Environmental, Social and Governance (ESG) Factors

Harding Loevner's investment selection approach, by its design, eschews companies engaging in unsustainable business practices or pursuing short-term profits at the expense of long-term growth and stability. Harding Loevner believes only companies that can create substantial long-term value are capable of producing meaningful "shared value" for the benefit of larger society as well as for shareholders and other direct stakeholders.

Harding Loevner includes an explicit consideration of ESG risk factors into equity security evaluation. Competitive advantage, sustainable growth, financial strength, and quality management are the criteria by which Harding Loevner judges whether a company can sustain high returns on capital. ESG factors are among those that may pose risks to a company's ability to continue to meet one or more of these criteria. Such risks are therefore considered at each stage of Harding Loevner's investment process.

Responsible Ownership

Harding Loevner is an active owner and has clear engagement policies in place with the aim of protecting and furthering the financial interests of its clients, the asset owners.

Harding Loevner votes all proxies with its clients' best interest in mind. As active owners, Harding Loevner seek to use its voting power to promote high standards of corporate governance, including provision of adequate disclosure of company policies, activities, and returns, as well as fair and equitable treatment of shareholders.

Benefits of investing in PIA

Skilled investment team	Focus on risk and return
A truly active strategy	Responsible investment process
Investment in high quality businesses	Investment approach that is suitable across differing market environments

Benefits of investing in PIA's LIC structure

Quarterly fully franked dividends

Shares can be bought and sold on the ASX

Investment activities are not affected by redemptions or unexpected cash inflows or outflows

Regular reporting to shareholders e.g. semi-annual financial reports, monthly performance reports and weekly NTA

Shareholders can interact with directors and management

The company is subject to ASX and ASIC supervision

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CHAIRMAN'S LETTER

Dear shareholders,

Pengana International Equities Limited (ASX: PIA, 'the Company') is a listed investment company ('LIC') which aims to provide shareholders with capital growth over the long term, as well as reliable, fully franked dividend income, paid quarterly.

In the year under review the Company paid its 10th consecutive quarterly fully franked dividend and the final dividend for the 2023 financial year has since been declared and will be paid on 15 September 2023.

In addition the Total Shareholder Return ('TSR') for the financial year was 23.3%, comprising the increase in the share price and the payment of fully franked dividends of 5.4 cents per share. The TSR increases to 25.4% if the value of franking credits attached to dividends paid is taken into account.

Financial and Investment Performance

The Company posted total investment income of $56 million and a net profit after tax of $38 million for the year ended 30 June 2023.

The result was driven by strong absolute performance, with the portfolio delivering 20.2% after all fees and expenses[1].

During a year marked by surging global interest rates, widespread geopolitical turbulence and anticipated "hard landings" across major economies, investors returned to global equity markets, with quality-growth stocks strongly outpacing value stocks in the period.[2] Throughout the period, the portfolio held overweight positions in companies within the industrials and information technology sectors, which fuelled PIA's performance.

In the Investment Manager's report that follows, Harding Loevner analyses the contributors to the performance for the financial year and provides its outlook for the portfolio.

Financial Position

At 30 June 2023, total assets were valued at $323 million and included $305 million of investments in businesses listed on global securities exchanges and $10 million in cash.

The Net Tangible Asset Backing ('NTA') after provision for tax on unrealised gains was $1.22 on 30 June 2023, up on the $1.12 posted on 30 June 2022.

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[1] Performance figures refer to the movement in net assets per share, reversing out the impact of option exercises and payments of dividends, before tax paid or accrued on realised and unrealised gains. Past performance is not a reliable indicator of future performance, the value of investments can go up and down.

[2] https://www.marketwatch.com/investing/index/rav?countrycode=xx
https://www.marketwatch.com/investing/index/rag?countrycode=xx

PENGANA INTERNATIONAL EQUITIES LIMITED

	June 2023 $ million	June 2022 $ million
Cash & liquids	10	11
Investments	305	265
Tax assets	8	13
Total assets	**323**	**289**
Payables	(1)	(1)
Tax on unrealised gains	(9)	-
Net assets	**313**	**288**
	$ per share	
NTA before tax on unrealised gains/losses	$1.25	$1.08
NTA after for tax on unrealised gains/losses	$1.22	$1.12

Net asset growth resulted from portfolio performance and shares issued under the Dividend Reinvestment Plan, which was partially offset by dividends paid and buyback activity. Consequently, the Company's net assets rose from $288 million to $313 million as of June 30, 2023.

Dividends

During the year shareholders received four quarterly dividends of 1.35 cents per share each. This included the 2022 final dividend and three quarterly dividends for 2023.

The final dividend for the quarter ended 30 June 2023 was 1.35 cents per share, fully franked at the 25% tax rate. It was declared on 19 July 2023 and will be paid on 15 September 2023 to shareholders on the register on 1 September 2023. This brings the total fully franked dividends declared out of the 2023 financial year profit to 5.4 cents per share.

An annual dividend of 5.4 cents per share provides a yield of 5.2% based on the 18 August 2023 share price of $1.03 per share. With the benefit of full franking at the 25% tax rate, the yield increases to 7.00%.[3]

PIA qualified for the lower tax rate of 25% in the 2023 financial year and consequently dividends paid in the 2024 financial year will continue to be franked at the 25% tax rate.

Your directors consider PIA is well positioned to continue paying fully franked dividends as the company has a strong debt free balance sheet, profit reserves and franking credits. PIA has a franking account balance and sufficient profit reserves to sustain an annual fully franked dividend of 5.4 cents per share into to the 2025 financial year, assuming the tax rate remains at 25% and that no further tax is paid.

The Company's Dividend Reinvestment Plan ("DRP") continues in operation for the quarterly interim dividend. Shareholders who have not already opted in and wish to participate in the DRP can do so by visiting **www.computershare.com.au/easyupdate/PIA.**

[3] Yield calculations assume a 25% tax rate

Capital Management

The Company has a sound capital structure with total equity of $313 million and no debt. There are circa 6,100 shareholders, who together own 256.8 million shares.

In the financial year, 1.2 million shares were issued through the Dividend Reinvestment Plan at the weighted average sale price of all shares in the Company sold on the Australian Securities Exchange during the five trading days commencing on and including the relevant Record Date, with no discount applied.

In August 2022, the Board implemented an on-market buyback mechanism for up to 10% of its shares until 22 August 2023, which has been subsequently extended to 22 August 2024.

The buyback may be actioned when it is considered that it provides a better long-term benefit to continuing shareholders than an alternative investment of funds.

During the year ended 30 June 30, 2023, 423,797 shares were acquired at an average discount of 20.4%.

Share Price

PIA's share price at the end of the financial year was $1.025, up from the $0.875 at 30 June 2022.

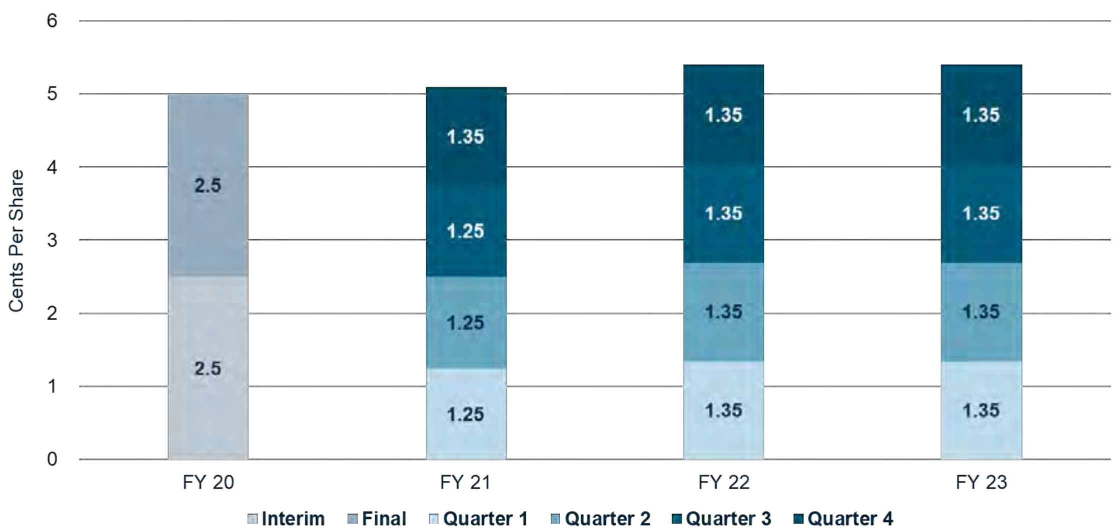
Initiatives

It is disappointing that the company's shares continue to trade at a discount to its net tangible assets. Initiatives to address this issue are reviewed regularly and currently include:

- Paying reliable quarterly fully franked dividends,
- Enhanced investment performance, and
- Promotion of the benefits of investing in PIA to financial advisers, current investors, and potential investors.

Paying reliable quarterly, fully franked dividends

PIA has paid consistent, quarterly, fully franked dividends, which have increased over time.



The LIC structure grants the Company greater control over the distribution of profit, in contrast to traditional unit trusts, providing investors with enhanced income predictability.

PIA has demonstrated its resilience by maintaining quarterly dividend payments even during challenging periods, such as the 2020 pandemic when numerous companies reduced their dividends.

As PIA is subject to Australian tax, its dividends come with attached franking credits, making them especially valuable for income-focused investors.

A substantial majority (over 80%) of dividends paid by Australian companies originate from only four sectors: materials, financials, real estate, and energy. As a result, income-oriented investors often have concentrated exposures to industries facing notable sustainability challenges. PIA shareholders can achieve diversification in their equity exposure while preserving their income objectives.

Enhanced Investment Performance

In May 2021, the Company's manager, Pengana Capital Group, appointed the highly experienced New Jersey-based Harding Loevner to its investment team to manage PIA's portfolio. The Harding Loevner strategy, implemented in 1989, has been tried, tested, and outperformed the MSCI World Total Return Index since its inception. The bottom-up approach focuses on quality growth investing in high-quality, growing businesses at reasonable prices, identified through extensive fundamental research with a long-term global perspective, resulting in superior risk-adjusted returns.

Harding Loevner's strategy invests in quality businesses that are capable of sustaining earnings growth across economic cycles and are capable of financing new investments in any credit environment. The investment process prioritises business models that align with long-term growth trends like AI, automation, the aging population, and the expansion of global travel.

The Board believes that the portfolio is positioned to perform well over the long term and in the prevailing economic environment. Harding Loevner will continue to focus on companies able to grow earnings irrespective of the economic cycle and with strong balance sheets.

Promotion

The Board strives to offer shareholders regular, concise, and timely updates on Company matters.

In addition to the month-end NTA published within 14 days of month end as required by the ASX, PIA goes a step further by providing weekly NTAs each Wednesday for the preceding Friday.

PIA provides additional information through Monthly Performance Reports, containing stock insights and portfolio performance commentary. Moreover, the Company discloses its full portfolio on a monthly basis, quarterly in arrears.

The Company actively engages with investors through various digital platforms such as webinars, newsletters, and online content. In addition to the Monthly Performance Reports, articles are regularly published in retail and trade publications, leveraging off thought-pieces produced by the investment team at Harding Loevner.

All this content is readily accessible on the Company's website: **www.pengana.com/pia.**

Supported by favourable ratings from significant research houses, the benefits of investing in PIA are actively promoted to financial advisers and investors.

Representatives from Harding Loevner visited Australia for a week in March 2023, presenting on behalf of PIA at the Institute of Managed Account Professionals annual conference, and also meeting with a number of financial planning groups and other professional investment advisers.

ANNUAL GENERAL MEETING

Your support is highly valued, and we look forward to seeing you at the 2023 Annual General Meeting this November, to be held at Pengana's offices located on Level 27, Governor Phillip Tower, 1 Farrer Place Sydney.

Frank Gooch
Chairman
Pengana International Equities Limited
21 August 2023

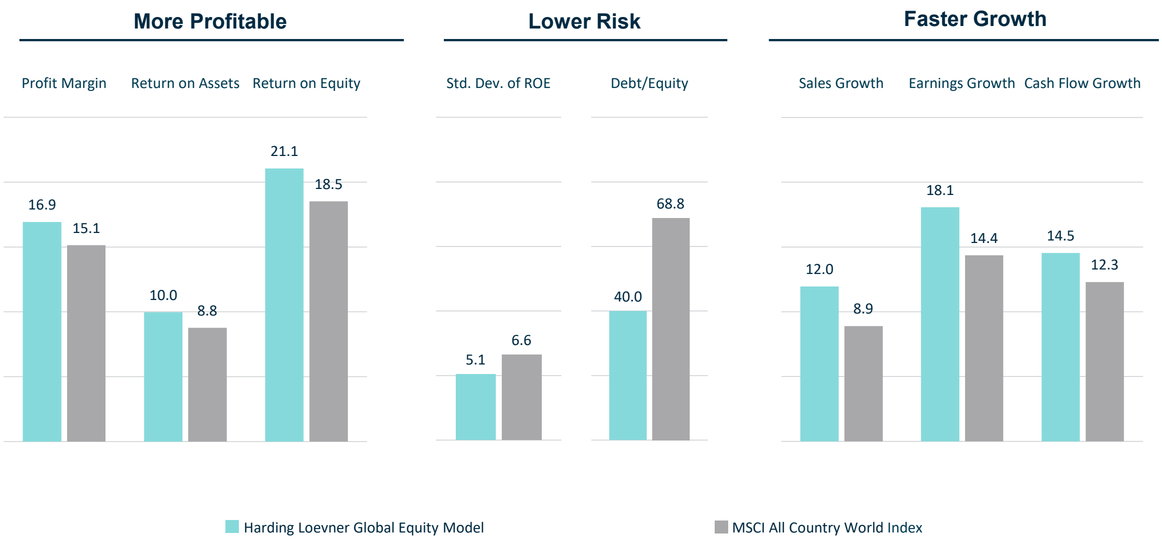
INVESTMENT MANAGER'S REPORT

Introduction

PIA delivered robust investment returns to shareholders during the financial year. Equity markets rallied strongly and the portfolio's quality growth investment style returned to favour later in the period.

The investment portfolio comprises a diverse portfolio of shares in high-quality growing businesses at reasonable prices that are expected to outperform the market over the long term. The following graphic shows how the portfolio holdings deliver higher profits, a lower risk profile and faster growth than the wider share market over the long-term.

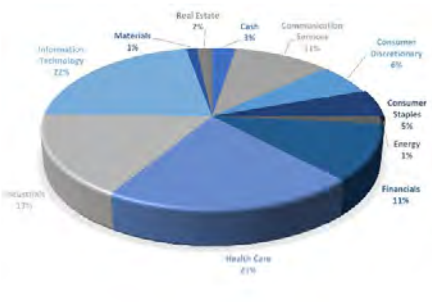
Investments that combine quality and growth are expected to sustain their earnings growth over multiple businesses cycles, which should lead to superior stock returns over the long term.



Source: MSCI Inc., FactSet. Data as of 30 June 2023. Growth and volatility metrics are based on five-year historical data; the other ratios are based on the most recent annual data. All metrics and ratios are percentages presented as weighted medians.

Diversification

Sector



Capitalisation

Region

Market Review

Global equity markets performed strongly during the financial year, returning 22.4%[4], as a gradual slowing of inflation raised hopes that interest rates will soon peak, before falling later in 2024. The latter months of the period saw a surge in investor enthusiasm for companies aligned to innovation in artificial intelligence (AI). This led to a steep rise in the stock prices of a small group of predominantly large US technology stocks, which further boosted overall global equity returns.

US interest rates increased during the year from 1.50% - 1.75% at the start of the financial year to 5.00% - 5.25% in a series of seven hikes. Fears that tighter monetary policy would strangle the more productive areas of the economy, tipping it into recession, led to a fall in longer-term bond yields. The bond curve inverted, as short-term yields exceeded longer term yields, which often signals a future recession.

However, US inflationary pressures eased from the start of calendar year 2023, as food, energy and goods prices moderated, boosting investor sentiment. The US Federal Reserve paused its rate-hiking campaign in June while suggesting that up to two more hikes of 0.25% later in the year might still be necessary. Monetary conditions in other parts of the world continued to tighten. The European Central Bank raised interest rates from -0.50% to +3.50% during the period to address persistent regional inflation. Meanwhile, China's central bank, facing a stalled economic rebound, chose to loosen its key lending rates, and the Bank of Japan maintained its ultra-accommodative policy despite signs of nascent inflation.

A series of US regional bank failures brought concerns about the wider banking system, leading to Swiss banking regulators facilitating a merger between UBS and its troubled rival, Credit Suisse.

Investor attention focussed on the promise of generative AI following the March release of an impressive, updated version of Microsoft-backed OpenAI's large language model, known as ChatGPT. Investor excitement grew following NVIDIA's better-than-expected first quarter results and earnings guidance. The company forecast surging demand for its specialist graphics processing units despite weaker revenues. Shares of NVIDIA surged and its market value exceeded US$1 trillion.

Market returns were strongest in information technology, industrials and consumer discretionary, while real estate, health care, and consumer staples were the weakest.

Eurozone stocks performed strongly as a mild northern hemisphere winter helped avert an energy crisis after Russian oil and natural gas supplies were cut. Japanese equities performed strongly, supported by the Bank of Japan's easy monetary policy, although depreciation of the yen later in the period reduced returns in Australian dollar terms.

China's economy accelerated after it lifted Covid restrictions in December, but this appeared to lose momentum in the final quarter of the period, and its stock market underperformed. Rising US-China tensions are impacting China's export of goods in sensitive sectors, imports of advanced technology components and access to capital. Meanwhile, its highly indebted real estate market also remains under pressure. China's large weight in the Emerging Markets index brought down overall returns, overshadowing strong returns in Taiwan, India, and Brazil.

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[4] MSCI World Total Return Index, Net Dividend Reinvested, in Australian dollars.

Performance Commentary

The portfolio delivered a strong performance during the financial year, returning 20.2% (compared to the benchmark return of 22.4%[5]).

Share markets recovered well and the portfolio's quality growth style supported returns during the review period, especially in the last six months. Growth stocks outperformed the broader market and value stocks lagged as investors looked forward to an eventual peak in interest rates. Quality companies also started to perform well as the consumer spending cycle began to slow, impacting lower quality businesses.

In addition to the portfolio's robust absolute returns, relative stock performance was strong across most sectors, especially communication services, industrials and information technology. However, this was offset in relative terms by the holdings in two US banks, SVB Financial Group and First Republic Bank.

The portfolio's overweight positions in industrials and information technology, it's underweight positions in real estate, consumer staples and materials and its zero weighting to utilities also contributed to relative returns. These were somewhat offset by its overweight exposure to health care.

Strong stock performance in Europe offset weakness in China and the US (primarily due to the bank holdings).

Much of the global share market's strong returns over the year were driven by the "Magnificent 7" mega-tech stocks: Alphabet, Amazon, Apple, Meta Platforms, Microsoft, Nvidia and Tesla. These generally performed well upon growing expectations that AI innovations will drive future earnings growth. During the second half of the financial year, they delivered 40% of the portfolio's 15% return, despite representing just 13% of its average weight.

The Fund's exposure to this trend boosted returns relative to the benchmark, as Nvidia gained 180% and Meta Platforms jumped 78% over the full financial year. The portfolio held all seven stocks except Tesla, which performed in line with the benchmark, so did not detract from relative returns. Google-owner Alphabet underperformed, but this was more than offset by strong returns by the portfolio's other five holdings.

Equity market weakness in much of 2022 provided the opportunity to invest more capital into the shares of strong businesses which subsequently outperformed:

In September 2022 the portfolio's position in US cloud-computing software business **salesforce.com** was increased. The later announcement of strong fourth quarter 2022 sales growth and plans to lower costs and increase profitability drove the stock price higher.
The portfolio's position in **SAP**, a German multinational enterprise software company was established in November, near the stock's 52-week low. It subsequently outperformed the market, contributing to relative returns during the financial year. The company's ongoing transition to a cloud-based business model is expected to deliver improved growth and profitability.
US-based **ServiceNow** provides a cloud platform to help firms manage workflows and operations. Its share price had declined for about a year prior to the portfolio establishing its position in November 2022. The stock outperformed the broader market strongly in the first half of 2023 upon stronger earnings results and its exposure to AI innovation.

The stock positions that had the most significant impact on the return of the portfolio relative to the benchmark included:

[5] MSCI World Total Return Index, Net Dividend Reinvested, in Australian dollars.

Contributors

Schneider Electric is a French digital automation and energy management group, which delivered strong profitability and good earnings growth during the period. The Fund increased its position in early 2022 after it had underperformed upon fears of a global recession and uncertainty regarding the impact of COVID-19 lockdowns in Shanghai. The share price rebounded from late 2022 as robust demand for its energy management and automation solutions drove its orderbook to record levels.

US-based multinational technology group **Meta Platforms** owns Facebook, Instagram and WhatsApp. The stock underperformed from September 2021 to November 2022 after making significant investments in the “metaverse”, which allows users to access the internet through advanced headsets. The position was maintained through this period of market weakness before being increased in February 2022. The company reduced capital expenditure on the metaverse and increased its stock repurchases program. User engagement remains strong across all platforms and it is using AI to increase the effectiveness of digital advertising. Earnings have exceeded expectations in its “year of efficiency” and the stock subsequently outperformed sharply between November and the end of June.

UK biotechnology company **Abcam** researches, develops and manufactures antibodies and biological tools for the life science industry. The company is subject to speculation about a potential takeover, while pressure from its retired founder and activist investor to improve performance may support investor returns.

US-based **Rockwell Automation** is a leader in industrial automation solutions, including hardware, software and consulting services. It benefits from its large North American market share and high barriers to entry. The company continues to demonstrate highly favourable growth dynamics, with high and stable operating margins. These are expected to be maintained as onshoring leads to growing demand for further industrial automation.

Detractors

SVB Financial Group was the parent company of Silicon Valley Bank which supported California’s venture capitalists and their portfolio companies. In March 2023, SVB was placed into receivership after a rapid large-scale withdrawal of deposits. This followed a slowdown in cash inflows from venture capital-backed companies that led to an unsuccessful attempt to raise new capital. This brought a total loss in the position.

First Republic Bank (FRB) was a US full-service bank and wealth manager focussed on high-net-worth clients. The collapse of SVB led to customer withdrawals at other regional banks including FRB as the panic spread. FRB experienced a significant fall in its stock price before being acquired - under encouragement from the regulator - by the major US banking group JPMorgan.

Chinese property management company **Country Garden Services Holdings** underperformed as the country’s highly leveraged real estate sector was subject to increasing regulatory intervention. The government has also restricted access to funding for property developers. The company provides property management services, security, gardening, car park, maintenance and real estate brokerage services and is not engaged in development. It has nonetheless been impacted by negative sentiment towards the broader property sector. However, the company has strong growth prospects as a leading manager of residential properties across China.

WuXi Biologics and **WuXi AppTec** are based in China and provide biologics services to the pharmaceutical industry. Both were valued at high multiples of earnings, reflecting their strong growth prospects. This led to underperformance in 2022 as quality growth investing fell from favour. The stocks were further affected by rising geo-political tensions between China and the US which led to the US taking measures to reduce its dependence on China for key supplies. It also impacted the companies’ access to capital to develop new products. The holding in WuXi Biologics was sold during the period, while that in WuXi AppTec which continues to have solid growth prospects has been maintained.

Outlook

The portfolio continues to focus on high-quality growing businesses which are positioned to take advantage of long-term secular growth trends that are less sensitive to the economic cycle.

The market is currently rewarding companies that are exposed to the changes that AI is expected to deliver over time. Large established brands with the capital to finance AI research are expected to continue to do well as global commerce adapts, but other companies are likely to emerge as they develop compelling new products.

Recent strong market returns may have diverted investors' attention from ongoing macro-economic risks. Inflation may not return to target, leading to higher for longer interest rates than currently expected by markets. Geo-political tensions can be expected to remain elevated; the US-China relationship is likely to be a generational challenge and there is no end in sight of the war in Ukraine. It also remains to be seen if China can stimulate its economy sufficiently to return to its recent growth levels.

The recent narrow concentration of share market returns leaves many high-quality growth stocks attractively valued. This provides opportunities for bottom-up fundamental investors to outperform over the long-term. Valuation levels and diversification remain critical as the portfolio seeks to identify opportunities across sectors and geographies.

Responsible Investing

The portfolio seeks to achieve superior risk-adjusted returns by identifying high-quality, growing companies through in-depth fundamental analysis. The investment manager assesses companies' environmental, social and governance (ESG) risks and opportunities to better understand their impact on the long-term sustainability of their earnings and hence market valuations.

The investment manager considers ESG factors at each stage of the investment process in developing new research ideas, estimating a stock's fair value and selecting portfolio investments.

An example of a portfolio holding benefiting from ESG-related trends is French digital automation and energy management group Schneider Electric. Its products include equipment and software designed to help customers lower carbon emissions and reduce costs by becoming more energy efficient.

The investment manager regularly engages with company managements to understand the potential impact of ESG issues on financial returns. It encourages companies to adopt business practices that foster sustainable growth, such as energy transition, diversity, and cybersecurity. The investment manager is a committed steward, voting on shareholder resolutions and providing disclosure.

During the review period the investment manager held 65 engagements across 30 portfolio holdings. The engagements addressed a range of issues including board independence and other corporate governance issues, climate-related disclosures including reporting on greenhouse gas emissions, energy transition, cybersecurity, and diversity-related disclosures and policies.

The investment manager has recently engaged with businesses regarding progress in decarbonising supply chains and improving climate-related disclosures to align with TCFD recommendations.

The portfolio also adheres to Pengana's ethical framework of 12 negative screens to exclude companies that derive material[6] operating income from excluded activities.

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[6] Material business involvement is generally considered to be over 5% of production of, or 15% aggregate revenue from, the production, distribution and retail of the screened product/service. For thresholds on each specific screen please refer to the Responsible Investment Policy here.

RESPONSIBLE INVESTMENT

PIA has been committed to responsible investing since its incorporation in 2004. It seeks to avoid investing in businesses that are currently involved in activities that are unnecessarily harmful to people, animals or the environment.

The investment manager, PCG, is also committed to responsible investing and is a member of the Responsible Investment Association Australasia (RIAA), and a signatory to the UN's Principles for Responsible Investment (PRI). PCG utilises an ethical screening process which forms an essential part of the investment selection process.

PCG's investment team, Harding Loevner, has adopted a responsible approach to investing, details of which are shown below.

PCG's Risk Team, provides oversight of Harding Loevner's compliance with its ethical and ESG mandate. In addition PCG's ESG Committee utilises a monitoring service provided by Sustainanlytics to monitor ESG and carbon risk exposures, voting and engagement activity.

Ethical Screens

Ethical screens are in place to avoid investment in companies that derive significant operating revenues from direct and material business involvement in these sectors:

Adult content	Alcohol	Non-regulatory animal testing
Fossil fuels (GICS 101020)	Gambling	Nuclear
Human rights abuses and exploitation	Securities from issuers on UN sanctions list	Genetically modified organisms in agriculture
Severe Impact on Ecosystems	Mining (GICS 151040)	Tobacco
Weapons		

How Harding Loevner Invests Responsibly

Harding Loevner's responsible approach to investing which encompasses the following dimensions[7]:

1. Responsible Investment Selection

a. Governance screening: eliminating securities of poorly governed companies;
b. ESG integration: considering Environmental, Social and Governance risk and return factors in the security selection process;
c. Client-directed screening: eliminating securities of companies engaged in activities or practices that it's client, the asset owner, seeks to avoid;
d. ESG benchmarking: managing portfolios with reference to ESG-influenced market indices selected by its client, the asset owner; and
e. Accountability for ESG incorporation: overseeing and implementing responsible investment policies.

[7] We acknowledge our debt to AQR and the PRI for suggesting this framework for organizing a discussion of the various aspects of investing responsibly. AQR, Clearing the Air: Responsible Investment, (May 2019)

2. Responsible Ownership

a. Management engagement: engaging with managements of companies in which Harding Loevner have invested for the purpose of influencing their behaviour for the benefit of public shareholders such as its clients, the asset owners, including with respect to managements' consideration of ESG issues that affect expected risks and returns;
b. Voting: voting all proxies in the interests of its clients, the asset owners, as Harding Loevner best determine or as they direct;
c. Policymaker engagement: advocating for the interests of asset owners; and
d. Institutional support for Responsible Investing: adhering to the Principles for Responsible Investment and the UK Stewardship Code.

Harding Loevner Responsible Investment Selection

Harding Loevner is a global equities manager seeking to achieve superior risk-adjusted returns for its clients by identifying high-quality, sustainably growing companies through in-depth fundamental analysis. Companies that operate with disregard for their environment, for the societies in which they pursue their business, or for the principles of governance by which they should be supervised on behalf of shareholders put at risk their long-term cash flows and share price. Therefore, consideration of environmental, social, and corporate governance (ESG) issues is intrinsic to Harding Loevner's investment process. Harding Loevner's investment selection approach, by its design, eschews companies engaging in unsustainable business practices or pursuing short-term profits at the expense of long- term growth and stability. Harding Loevner believes only companies that can create substantial long-term value are capable of producing meaningful "shared value" for the benefit of larger society as well as for shareholders and other direct stakeholder[8].

Governance Screening

At the outset of their assessment of a company, the responsible analyst completes a 14-point corporate governance checklist to ensure Harding Loevner eliminates companies with demonstrably poor governance from further consideration.

ESG Integration

Harding Loevner includes in its equity security evaluation an explicit consideration of ESG risk factors. Competitive advantage, sustainable growth, financial strength, and quality management are the criteria by which Harding Loevner judges whether a company can sustain high returns on capital. ESG factors are among those that may pose risks to a company's ability to continue to meet one or more of these criteria. Such risks are therefore considered at each stage of its investment process.

For each company under Harding Loevner's coverage, the responsible analyst evaluates 38 distinct ESG risk factors, assigning a score to each to reflect the analyst's level of concern regarding its potential impact on the company's ability to grow profitably and sustainably. The Scorecard provides a consistent framework for comparing companies' potential ESG risks across all industries and geographies. The potential ESG risk factors addressed in the Scorecard include, for example, water consumption, waste generation and disposal, CO2 emissions, labour relations, treatment of stakeholders, and independence of Board of Directors. ESG risks of concern will affect the analyst's long-term forecasts of a company's growth, margins, capital intensity, and competitive position. In addition, a company's overall ESG Score is an input into Harding Loevner's valuation model that influences the projected duration of future cash flow growth.

[8] Michael E. Porter, George Serafeim & Mark Kramer, "Where ESG Fails," Institutional Investor, (October 16, 2019)

portfolio managers consider ESG factors among other factors affecting risk and expected returns when constructing portfolios from qualified investments.

Harding Loevner Responsible Ownership

Management Engagement

Harding Loevner is an active owner and has clear engagement policies in place with the aim of protecting and furthering the financial interests of its clients, the asset owners. Harding Loevner's analysts engage regularly with company managements in the course of their fundamental research and monitoring of qualified companies. An analyst will formally engage with management to express concern or disagreement with a proposed or decided course of action, including on issues related to shareholder welfare or other ESG concerns. This engagement often arises in the context of proxy voting: whenever Harding Loevner casts a vote against management's recommendation, the responsible analyst is required to write to management to highlight and explain the basis for Harding Loevner's dissent.

If Harding Loevner believes that weak corporate governance, or other ESG issues, at a company results in unacceptably high investment risk, Harding Loevner's usual course of action is disinvestment.

While Harding Loevner generally prefers to engage with companies independent of other investment firms, Harding Loevner will consider coordinating with other institutional investors if Harding Loevner thinks doing so would produce better financial results for Harding Loevner's clients and could be undertaken in compliance with regulations concerning collective action.

Voting

Wherever clients have delegated authority to us, Harding Loevner votes all proxies with its clients' best interest in mind. As active owners, Harding Loevner seek to use its voting power to promote high standards of corporate governance, including provision of adequate disclosure of company policies, activities, and returns, as well as fair and equitable treatment of shareholders.

We aim to vote in favour of management proposals that Harding Loevner believes will benefit shareholders. Harding Loevner supports company boards in aligning management with shareholder returns through remuneration policies. In addition, Harding Loevner supports board independence, including in the composition of individual committees as well as the board overall. Harding Loevner demands that firms maintain adequate disclosures, provide clear information in financial reporting, and offer regular access to shareholders. If a company proposes a policy that Harding Loevner believes will damage long- term shareholder value, Harding Loevner will vote against it.

The analyst responsible for a company determines how to vote on proposals in accordance with the general principles that Harding Loevner has laid out. To support analysts' independent consideration of proposals, Harding Loevner obtains research and recommendations from corporate governance consultant Glass Lewis. Complex or controversial issues are subjected to internal debate by Harding Loevner's investment team, with the ultimate decision remaining with the responsible analyst, who knows the company best. Harding Loevner records all votes—along with the rationale for its deviations from the recommendations of management—and disclose Harding Loevner's votes to the respective asset owners upon request. All votes against recommendations of management are a basis for required engagement with management.

Annual voting records are published on the Company's website.

DIRECTORS' REPORT

The Directors present their report on Pengana International Equities Limited ("the Company"), for the financial year ended 30 June 2023.

Directors

The names of Directors in office at any time during or since the end of the year are:

Francis Gooch	Independent Non-Executive Director and Chairman
Russel Pillemer	Managing Director
David Groves	Non-Executive Director
Sandi Orleow	Independent Non-Executive Director

Directors have been in office since the start of the financial year to the date of this report, unless stated otherwise.

Information on Directors

During the year, the following persons held office as Director:

Francis (Frank) Gooch - B.Bus, CPA

Independent, Chairman (appointed Non-executive Director 5 June 2017, Chairman 6 December 2017)

Mr Gooch was appointed as a Non-executive Director of the Company by the Board on 5 June 2017 and was elected by shareholders at the Company's 2017 Annual General Meeting. On 6 December 2017 he was appointed Chairman of Directors. He is also a member of the Company's Audit, Risk and Compliance Committee.

Mr Gooch has over 26 years' experience in the LIC industry after having been an executive of Milton Corporation Limited since 1996. He became Chief Executive in 1999 and was made the Managing Director in 2004. Mr Gooch retired from Milton on 31 July 2018.

Mr Gooch has also served as chairman of the LIC industry body, Australian Listed Investment Companies Association. Prior to joining Milton Corporation Limited Mr Gooch was an executive at Macquarie Bank Limited for 11 years.

Russel Pillemer - B.Com, CA

Non-independent, Managing Director (appointed Non-executive Director 5 June 2017, Managing Director 21 February 2019)

Mr Pillemer is the Managing Director of the Company.

Mr Pillemer is also a Director and Chief Executive Officer of Pengana Capital Group Limited.

Mr Pillemer co-founded Pengana in 2003 and has been its Chief Executive Officer since inception. Prior to founding Pengana, Mr Pillemer worked in the Investment Banking Division of Goldman Sachs in New York where he specialised in providing advice to funds management businesses. Before moving to New York, he was responsible for leading Goldman Sachs' Australian Financial Institutions Group. Mr Pillemer was previously Chairman of Centric Wealth Group and a Principal of Turnbull Pillemer Capital.

He is a Chartered Accountants in Australia and New Zealand member and has a Bachelor of Commerce (Hons) from the University of New South Wales.

Directors' Report (continued)

Information on Directors (continued)

David Groves - BCom., MCom., CA

Non-independent, Non-executive Director (appointed 13 January 2017)

Mr Groves is a Non-executive Director of the Company. He is also a member of the Company's Audit, Risk and Compliance Committee.

Mr Groves has over 25 years' experience as a company director. He is Chairman of Tasman Sea Salt Pty Ltd and is the Non-executive Independent Chairman of Pengana Capital Group Limited (ASX:PCG) & H&G High Conviction Limited (ASX:HCF). He is also a Non- executive Director of Redcape Hotel Group Management Ltd as responsible entity of the Redcape Hotel Group. He is a former Director of EQT Holdings Ltd, Tassal Group Ltd and GrainCorp Ltd and a former executive with Macquarie Bank Limited and its antecedent, Hill Samuel Australia. Mr Groves is a member of the Council of Wollongong University. He is a member of Chartered Accountants Australia and New Zealand.

Sandi Orleow - CFA, GAICD

Independent, Non-executive Director (appointed 1 September 2019)

Ms Orleow is a Non-executive Director of the Company. She is also Chairman of the Company's Audit, Risk and Compliance Committee.

Ms Orleow brings to the PIA Board over two decades of experience in financial services across superannuation, funds management, consulting and research. Having started her career at Arthur Andersen as a Chartered Accountant, she became the Head of Consulting at Brockhouse Cooper in South Africa and then a Senior Investment Consultant and Head of Private Markets at Towers Watson Australia. She established her own consulting business in 2011.

Ms Orleow is also a Trustee Director of Active Super, is a member of the Investment Advisory Board of ACT Treasury and is a Director of the CFA Sydney Society and CFA Australia National Diversity Chair.

Ms Orleow is a CFA Charterholder, a graduate of the Australian Institute of Company Directors and a Banking + Finance Oath Signatory.

Company Secretary

Paula Ferrao - B. Bus

Company Secretary (appointed 2 June 2017)

Ms Ferrao is the Company Secretary of the Company.

Ms Ferrao is also an executive of Pengana Capital Group Limited. Ms Ferrao was previously interim Chief Executive Officer of Hunter Hall International Limited from January 2017 until its merger with Pengana Holdings Pty Ltd on 1 June 2017. Prior to that she was Chief Financial Officer of Hunter Hall International Limited since 2010.

Ms Ferrao has 21 years' experience in the funds management industry with strong expertise in financial reporting and tax for corporate entities, listed investment companies, managed investment schemes and public offer superannuation funds and in all aspects of fund operations.

PENGANA
INTERNATIONAL
EQUITIES LIMITED

Directors' Report (continued)

Operating and Financial Review

Company Overview and Principal Activities

Pengana International Equities Limited is an Australian Listed Investment Company whose principal operating activity is investing its Australian capital into ethically screened businesses that are listed on global exchanges.

The Company is listed on the Australian Securities Exchange under the code PIA.

Pengana Investment Management Limited, a subsidiary of Pengana Capital Group, is the Investment Manager of PIA and it provides investment management, financial management and marketing support. The Investment Manager has appointed New Jersey based Harding Loevner LP ("Harding Loevner") as the investment team for PIA.

Operating results

Over the year markets lifted as global inflationary pressures eased and investors appeared optimistic that inflation and therefore interest rates were at or near their peak. The portfolio was well positioned to benefit from this change in sentiment and the fair value of the portfolio increased by $53.1 million.

Net income after tax for the year was $38.4 million, which equated to 14.96 cents per share.

The portfolio delivered a return, net of fees and expenses, of 20.16% financial year ended 30 June 2023 versus the MSCI World Accumulation Net Return Index in Australian Dollars of 22.43%. Performance figures refer to the movement in net assets per share, reversing out the payment of dividends, before tax paid or accrued on realised and unrealised gains.

The portfolio continues to focus on high-quality growing businesses which are positioned to take advantage of long-term secular growth trends that are less sensitive to the economic cycle.

The market is currently rewarding companies that are exposed to the changes that AI is expected to deliver over time. Large established brands with the capital to finance AI research are expected to continue to do well as global commerce adapts, but other companies are likely to emerge as they develop compelling new products.

Recent strong market returns may have diverted investors' attention from ongoing macro-economic risks. Inflation may not return to target, leading to higher for longer interest rates than currently expected by markets. Geo-political tensions can be expected to remain elevated; the US-China relationship is likely to be a generational challenge and there is no end in sight of the war in Ukraine. It also remains to be seen if China can stimulate its economy sufficiently to return to its recent growth levels.

The recent narrow concentration of share market returns leaves many high-quality growth stocks attractively valued. This provides opportunities for bottom-up fundamental investors to outperform over the long-term. Valuation levels and diversification remain critical as the portfolio seeks to identify opportunities across sectors and geographies.

Directors' Report (continued)

Financial Position

At 30 June 2023, the Company's equity investments were valued at $304.7 million and it held $9.7 million in cash. Total assets amounted to$322.8 million.

The Company's net tangible assets at 30 June 2023 stood at $312.9 million. The Company has no borrowings.

For further information on operating results and the financial position of the Company please refer to the Chairman's letter.

Dividends paid/payable

	June 2023 $'000	June 2022 $'000
Final fully franked dividend of 1.35 cents per share, franked at 25.0%, to be paid on 15 September 2023. (2022: Final fully franked dividend, franked at 25.0%, of 1.35 cents per share.)	**3,467**	3,456
Interim fully franked dividends, franked at 25.0%, of 1.35 cents per share paid on 15 December, 15 March and 15 June 2023 (2022: Interim fully franked dividends, franked at 30.0%, of 1.35 cents per share.)	**10,385**	10,347
	13,852	13,803

Dividend policy

The Board has adopted a dividend policy to pay dividends on a quarterly basis & frank them to the maximum extent possible subject to the availability of profit reserves & franking credits. The Company re-confirmed that its investment mandate supports its aim of delivering fully franked dividends.

Strategy and future outlook

The Company aims to meet its investment objective of generating long-term consistent returns whilst reducing volatility and the risk of losing capital, and to pay a stable stream of fully franked dividends to our shareholders.

The Board seeks to improve communication with shareholders, deploy value creating capital management strategies and being disciplined in managing the Company's expenses.

The Company's portfolio is primarily invested in equities and given the volatility in investment markets it is extremely difficult to forecast profit for the coming year. The Company provides weekly NTA announcements to the Australian Securities Exchange (ASX), and they can also be accessed via the website of the Company's Investment Manager: www.pengana.com

Whilst the portfolio is currently unhedged the Company may use forward foreign exchange contracts for risk management purposes.

Directors' Report (continued)

Significant changes in the state of affairs

There were no other significant changes in the state of affairs during the reporting period.

Events subsequent to balance sheet date

On 19 July 2023, the Board declared the final dividend of 1.35 cents per share fully franked at 25% for financial year 2022/2023. This dividend is not recognised as a liability at 30 June 2023 and will be paid on 15 September 2023.

The after tax NTA per share of the Company at 31 July 2023 was $1.23, an increase of 0.8% or $0.01 from the $1.22 recorded as at 30 June 2023.

Other than the above, the Directors are not aware of any other matter or circumstance not otherwise dealt with in this financial report that has significantly or may significantly affect the Company's operations, the results of those operations or the Company's state of affairs in future years.

Directors' Report (continued)

REMUNERATION REPORT (AUDITED)

The Board presents the Remuneration Report for the Company for the year ended 30 June 2023, which forms part of the Directors' Report and has been prepared in accordance with the *Corporations Act 2001* and the *Corporations Regulations 2001*.

1. Remuneration Governance

The Company has no employees and so remuneration is limited to Directors' fees.

The Board is responsible for ensuring that the level of fees paid to the Directors is reasonable.

2. Details of key management personnel

Key Management Personnel (KMP) for the year ended 30 June 2023 are those persons who are identified as having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any Non-executive Director (NED) of the Company.

Names and positions held by Directors and Officers of the Company in office at any time during the financial year are:

Name	Title	Appointment and resignation date
Frank Gooch	Independent Non-executive Director and Chairman	Appointed Independent Non-Executive Director 5 June 2017 and Chairman 6 December 2017
Russel Pillemer	Managing Director	Appointed Non-Executive Director 5 June 2017, Managing Director 21 February 2019
David Groves	Non-executive Director	Appointed 13 January 2017
Sandi Orleow	Independent Non-executive Director	Appointed 1 September 2019

The Company has no employees. All operational and administrative duties are performed by Pengana Capital Group Limited (PCG), the parent company of the Investment Manager. No employees of PCG are remunerated by the Company. All KMP held their positions for the whole of the year ended 30 June 2023.

Directors' Report (continued)

Remuneration Report (Audited) (continued)

3. Remuneration

a. Remuneration Policy

Directors are remunerated by way of fees and superannuation contributions.

Each year the fees are determined by the Board of Directors who take into account the responsibilities, qualifications and experience of the directors as well as the demands made on directors and the remuneration of non-executive directors of comparable Australian companies.

Fees (including superannuation contributions):

	30 June 2023 $	30 June 2022 $	Change %
Chairman	66,300	66,000	0.5
Non-Executive Directors	44,200	44,000	0.5

b. Aggregate Fees Limit

The Aggregate Fee Limit available to directors of $250,000 was approved by shareholders in 2013.

c. Equity-based Remuneration

Non-executive directors are remunerated by way of cash benefits. The Company currently has no intention to remunerate non-executive directors by any way other than cash benefits.

d. Directors Remuneration

The following tables outline the remuneration provided to NEDs for the years ended 30 June 2023 and 30 June 2022.

30 June 2023	Short-term benefits	Post-employment benefits	Total remuneration
Non-executive Directors	Directors' fees $	Superannuation $	Total $
Frank Gooch	60,000	6,300	**66,300**
David Groves	40,000	4,200	**44,200**
Sandi Orleow	40,000	4,200	**44,200**
	140,000	**14,700**	**154,700**

30 June 2022	Short-term benefits	Post-employment benefits	Total remuneration
Non-executive Directors	Directors' fees $	Superannuation $	Total $
Frank Gooch	60,000	6,000	**66,000**
David Groves	40,000	4,000	**44,000**
Sandi Orleow	40,000	4,000	**44,000**
	140,000	**14,000**	**154,000**

Directors' Report (continued)

Remuneration Report (Audited) (continued)

d. Directors Remuneration (continued)

Russel Pillemer, who is also a Director and Chief Executive Officer of Pengana Capital Group Limited (ASX: PCG), the parent company of PIA's Investment Manager, is not remunerated by PIA. Since 2018, there has been no subsequent change to Directors Fees other than statutory Superannuation Guarantee increases.

e. Service Agreements

Remuneration and other terms of employment for the Independent Non-executive Directors are formalised in service agreements with the Company.

Frank Gooch, Chairman, Independent Non-executive Director and member of the Audit, Risk and Compliance Committee and of the Independent Board Committee

- Commenced on 5 June 2017 (Appointed Chairman 6 December 2017)
- No term of agreement has been set unless the Director is not re-elected by shareholders of the Company
- Annual fees, inclusive of superannuation, for the year ended 30 June 2023 of $66,300.

Russel Pillemer, Managing Director

- Commenced on 5 June 2017 (Appointed Managing Director 21 February 2019)
- Mr Pillemer is not remunerated by the Company, and being the Managing Director is not required to stand for re-election.

David Groves, Non-independent Non-executive Director and member of the Audit, Risk and Compliance Committee

- Commenced on 13 January 2017
- No term of agreement has been set unless the Director is not re-elected by shareholders of the Company
- Annual fees, inclusive of superannuation, for the year ended 30 June 2023 of $44,200.

Sandi Orleow, Independent Non-Executive Director

- Commenced on 1 September 2019
- No term of agreement has been set unless the Director is not re-elected by shareholders of the Company
- Annual fees, inclusive of superannuation, for the year ended 30 June 2023 of $44,200.

END OF AUDITED REMUNERATION REPORT

DIRECTORS' REPORT (CONTINUED)

Meeting of Directors

During the financial year, meetings of Directors (including committees) were held. Attendances were:

	Full Board		Audit, Risk and Compliance Committee		Board-Sub Committee	
	Eligible	Attended	Eligible	Attended	Eligible	Attended
Frank Gooch	12	12	4	4	-	-
Russel Pillemer	12	12	-	-	-	-
David Groves	12	12	4	4	-	-
Sandi Orleow	12	11	4	4	-	-

Directors Share Holdings

Please see below details of Directors share holdings as at 30 June 2023.

	Held at 1 July 2022	Purchases	Sales	Other	Held at 30 June 2023
Frank Gooch	**70,000**	-	-	-	**70,000**
Russel Pillemer	**23,809**	-	-	-	**23,809**
David Groves	**52,446**	-	-	-	**52,446**
Sandi Orleow	**10,000**	-	-	-	**10,000**

Environmental Issues

The Company's operations are not subject to any environmental regulation under the law of the Commonwealth and State or Territory.

Proceedings on Behalf of the Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any such proceedings during the year.

Rounding of amounts

The Company is of a kind referred to in the Australian Securities and Investments Commission (ASIC) Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, relating to the rounding off of amounts in the Directors' report. Amounts in the Directors' report have been rounded off in accordance with that instrument to the nearest thousand dollars, or in certain areas, to the nearest dollar (unless stated otherwise).

Directors’ Report (continued)

Indemnification and Insurance of Directors and Officers

The Company insures each of the Directors and Officers in office against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of Directors and Officers of the Company, other than conduct involving a wilful breach of duty in relation to the Company. Details of the amount of premium paid in respect of insurance policies are not disclosed as such disclosure is prohibited under the terms of the contract.

Indemnification of Auditors

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

Auditor

Ernst & Young was appointed as the auditor on 16 November 2016 in accordance with section 327 of the *Corporations Act 2001*.

Non-Audit Services

Ernst & Young received or are due to receive $7,000 for the provision of non-audit services.

The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under s307C of the *Corporations Act 2001* is set out on the following page and forms part of this report.

Signed in accordance with a resolution of the Board of Directors.

F Gooch

Frank Gooch

Chairman
Sydney
21 August 2023

Ernst & Young
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Sydney NSW 2000 Australia
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Building a better working world

Auditor's Independence Declaration to the Directors of Pengana International Equities Limited

As lead auditor for the audit of Pengana International Equities Limited for the financial year ended 30 June 2023, 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 International Equities Limited during the financial year.

Ernst & Young

Ernst & Young

Jaddus M R Manga Neto

Jaddus Manga
Partner
21 August 2023

	Note	Year ended 30 June 2023 $'000	 30 June 2022 $'000
Investment Income			
Interest received		**292**	2
Dividend received		**2,329**	2,023
Net gains/(losses) on financial instruments at fair value through profit or loss	2	**53,117**	(81,377)
Foreign exchange (losses)/gains on foreign currency denominated cash		**(8)**	2
Other operating income		**1**	-
Total investment income/ (loss)		**55,731**	(79,350)
Management fees	3	**(3,556)**	(4,367)
		(3,556)	(4,367)
Expenses			
Directors' fees		**(155)**	(154)
Audit and assurance fees	3	**(70)**	(70)
Brokerage expenses		**(77)**	(174)
Share registry fees		**(104)**	(102)
ASX listing fees		**(100)**	(91)
Legal and professional expenses		**-**	(5)
Custody and administration fees		**(84)**	(160)
Other expenses		**(323)**	(405)
		(913)	(1,161)
Total expenses		**(4,469)**	(5,528)
Profit/(loss) before income tax		**51,262**	(84,878)
Income tax (expense)/ benefit	4	**(12,906)**	23,227
Net profit/(loss) after income tax		**38,356**	(61,651)
Other comprehensive income for the year, net of tax		**-**	-
Total comprehensive income/(loss) for the year		**38,356**	(61,651)
Basic and diluted earnings per share (cents per share)	5	**14.96**	(24.14)

The statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

	Note	30 June 2023 $'000	30 June 2022 $'000
Assets			
Cash and cash equivalents	6	**9,698**	10,834
Trade and other receivables	7	**843**	428
Financial assets at fair value through profit or loss	8	**304,745**	264,594
Current tax asset		**264**	1,835
Deferred tax assets	4	**7,217**	10,756
Total assets		**322,767**	288,447
Liabilities			
Trade and other payables	9	**507**	866
Deferred tax liabilities	4	**9,410**	50
Total liabilities		**9,917**	916
Net assets		**312,850**	287,531
Equity			
Issued capital	10	**319,212**	318,407
Profit reserve	12	**188,337**	163,823
Retained losses	11	**(194,699)**	(194,699)
Total equity attributable to shareholders of the company		**312,850**	287,531

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

	Note	Issued Capital $'000	Profit Reserve $'000	Retained Losses $'000	Total $'000
Balance at 1 July 2021		317,232	158,479	(113,913)	361,798
Loss for the year		-	-	(61,651)	(61,651)
Transfer to profit reserve		-	19,135	(19,135)	-
Transactions with shareholders in their capacity as owners:					
Dividend reinvestment plan issues	10	1,175	-	-	1,175
Dividends paid	13	-	(13,791)	-	(13,791)
Balance as at 30 June 2022		318,407	163,823	(194,699)	287,531
Balance as at 1 July 2022		**318,407**	**163,823**	**(194,699)**	**287,531**
Profit for the year		**-**	**-**	**38,356**	**38,356**
Transfer to profit reserve		**-**	**38,356**	**(38,356)**	**-**
Transactions with shareholders in their capacity as owners:					
Dividend reinvestment plan issues	10	**1,189**	**-**	**-**	**1,189**
Dividends paid	13	**-**	**(13,842)**	**-**	**(13,842)**
Share buyback	10	**(384)**	**-**	**-**	**(384)**
Balance at 30 June 2023		**319,212**	**188,337**	**(194,699)**	**312,850**

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

	Note	Year ended 30 June 2023 $'000	30 June 2022 $'000
Cash flows from operating activities			
Proceeds from sale of investments		**75,537**	125,463
Payments for purchase of investments		**(63,289)**	(98,011)
Brokerage expenses		**(77)**	(174)
Dividends received		**2,285**	2,028
Interest received		**261**	-
Other income received		**11**	33
Management fees paid		**(3,527)**	(4,455)
Income tax refund/(paid)		**1,564**	(6,972)
Payment to suppliers		**(856)**	(982)
Net cash inflow from operating activities	14	**11,909**	16,930
Cash flows from financing activities			
Dividends paid	13	**(12,653)**	(12,616)
Share buyback		**(384)**	-
Net cash outflow from financing activities		**(13,037)**	(12,616)
Net (decrease)/increase in cash and cash equivalents		**(1,128)**	4,314
Cash and cash equivalents at the beginning of the year		**10,834**	6,518
Foreign exchange (losses)/gains on foreign currency denominated cash		**(8)**	2
Cash and cash equivalents at the end of the year	6	**9,698**	10,834

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

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1 Corporate information and summary of significant accounting policies

The financial statements of Pengana International Equities Limited ("the Company"), for the year ended 30 June 2023 were authorised for issue in accordance with a resolution of the Directors on 21 August 2023. The Directors have the power to amend the financial statements after issue.

Pengana International Equities Limited is a for-profit company limited by shares incorporated and domiciled in Australia. The Company's principal place of business is Suite 27.01, Level 27, Governor Phillip Tower, 1 Farrer Place Sydney, NSW 2000 Australia.

Further information on the nature of the operations and principal activities of the Company is provided in the Directors' report.

Basis of preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards (AASB) and other authoritative pronouncements of the Australian Accounting Standards Board.

The financial report has been prepared on a historical cost basis unless stated otherwise and is presented in Australian dollars. Investments in financial assets and liabilities are recorded at fair value through profit and loss.

The statement of financial position is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and are not distinguished between current and non-current.

Compliance with International Financial Reporting Standards

The financial report also complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

Summary of significant accounting policies

The following is a summary of the material accounting policies adopted by the Company in the preparation of the financial report. They have been consistently applied unless otherwise stated.

(a) Revenue and other income

Dividend income is recognised on the date shares are quoted ex-dividend. Interest income is recognised on an accruals basis.

All revenue is stated net of the amount of Goods and Services Tax (GST).

(b) Expenses

All expenses are recognised on an accrual basis. Management and performance fees are set out in Note 3.

(c) Cash and cash equivalents

Cash and cash equivalents include cash on hand and call deposits with banks or financial institutions that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, with original maturities of three months or less.

(d) Financial assets and liabilities

Recognition and measurement

Financial assets and liabilities are recognised when the Company becomes a party to the binding contractual provisions to the instrument. For financial assets this is equivalent to the date that the Company commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

1 Corporate information and summary of significant accounting policies (continued)

(*d*) Financial assets and liabilities (continued)

Financial assets and liabilities are recognised on initial recognition at fair value. Financial instruments are classified into the following categories and fair values of financial instruments are determined on the following basis:

(i) *Investments*

Financial assets and liabilities at fair value through profit and loss are measured initially at fair value excluding any transaction costs that are directly attributable to the acquisition of the financial asset or liability. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the Statement of Profit or Loss and Other Comprehensive Income. After initial recognition, investments are classified as "fair value through profit or loss". Gains and losses on investments are recognised in the Statement of Profit or Loss and Other Comprehensive Income. Gains and losses do not include interest or dividend income.

Last market close price is used for all investments quoted in an active market. Where this price falls outside the bid-ask spread, discretion is used as to whether the most appropriate price is the bid price or last market close price.

De-recognition

Investments are de-recognised when the right to receive cashflows from the investments has expired or the Company has transferred substantially all risks and rewards of ownership.

(ii) *Trade and other receivables*

Trade and other receivables are initially recognised at fair value. They are subsequently stated at amortised cost. At each reporting date, the Company shall measure the loss allowance on trade 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 Company 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. Trade receivables include pending trades which are measured at fair value.

(iii) *Trade and other payables*

Trade and other payables are initially recognised at fair value. They are subsequently stated at amortised cost. Trade payables include pending trades which are measured at fair value.

(e) Foreign currency translation

Foreign currency transactions are translated into Australian Dollars (AUD) the reporting and functional currency of the Company, at the functional currency spot rates of exchange at the date of the transaction.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of foreign assets and liabilities at year end exchange rates are recognised in the Statement of Profit or Loss and Other Comprehensive Income.

Translation differences on monetary assets and liabilities, forward foreign exchange hedging contracts, exchange traded options and investments are reported as part of the change in fair value of investments on the Statement of Profit or Loss and Other Comprehensive Income. All other foreign exchange gains and losses are presented in the Statement of Profit or Loss and Other Comprehensive Income within investment income.

Assets and liabilities denominated in a foreign currency are translated at the functional currency spot rates of exchange at reporting date.

1 Corporate information and summary of significant accounting policies (continued)

(f) Income Tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax adjusted for changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period.

Deferred tax is provided for using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Upon adoption of AASB interpretation 23 *Uncertainity over Income Tax Treatments*, the Company considered whether it has any uncertain tax positions. The Company determined, based on its tax compliance, that it is probable that its tax treatments will be accepted by the taxation authorities. The interpretation did not have an impact on the financial statements of the Company as there is no uncertainty relating to any tax treatments.

(g) Goods and Services Tax

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

The Company qualifies for Reduced Input Tax Credits (RITC) at a rate of at least 55%, hence 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.

(h) Profit Reserve

The profit reserve consists of amounts transferred from current and prior period profits and are preserved for future dividend payments.

(i) Critical accounting estimates and judgements

The Directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Company. For the majority of the financial instruments held by the Company, quoted market prices are readily available.

(j) Rounding of amounts

Unless otherwise shown in the financial statements, amounts have been rounded to the nearest thousand dollars and are shown in A$'000. Pengana International Equities Limited is a company of the kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191.

(k) New and amended standards and interpretations

There are no standards that are not yet effective and that are expected to have a material impact on the Company in the current or future reporting periods and on foreseeable future transactions.

(l) Comparative figures

Comparative information has been reclassified where required for consistency with current year's presentation.

2 Net gains/(losses) on financial instruments at fair value through profit or loss

	30 June 2023	30 June 2022
	$'000	$'000
Net gains/(losses) on realised fair value of listed equities	(26,863)	2,869
Net gains/(losses) on unrealised fair value of listed equities	79,980	(84,246)
Total net gains/(losses) on financial instruments at fair value through profit or loss	53,117	(81,377)

3 Expenses

a. Management fees

In accordance with the Investment Management Agreement between the Company and Pengana Investment Management Limited (the Investment Manager), the Investment Manager is entitled to a management fee of 1.2% (excluding GST and RITC) p.a. based on the gross value of the investment portfolio, payable on a monthly basis.

The amounts paid and payable to the Investment Manager in accordance with the Investment Management Agreement were:

	30 June 2023	30 June 2022
	$'000	$'000
Management fees	3,556	4,367

b. Performance fees

In accordance with the Investment Management Agreement between the Company and Pengana Investment Management Limited (the Investment Manager), the Investment Manager is entitled to a performance fee of 15% (excluding GST and RITC) of any outperformance when the investment return of the portfolio outperforms the MSCI World Total Return Index, Net Dividends Reinvested in A$, subject to achievement of a crystallisation hurdle. The method of calculating the fee is detailed in the Investment Management Agreement.

As at 30 June 2023, performance fees paid and payable was nil (30 June 2022: nil).

	30 June 2023	30 June 2022
	$'000	$'000
Performance fees	-	-

c. Auditor's remuneration

During the year the following fees were paid or payable by the Company for services provided by the auditor of the Company, Ernst & Young.

	30 June 2023	30 June 2022
	$'000	$'000
Ernst & Young		
Audit and assurance services		
Audit and review of financial statements	70	70
Total remuneration for audit and other assurance services	70	70
Non-assurance services		
Tax compliance services	7	7
Total remuneration for taxation services	7	7
Total remuneration of Ernst & Young	77	77

4 Income tax expense

	Year ended	
	30 June 2023	30 June 2022
	$'000	$'000
a. Income tax (expense)/benefit attributable for the year differs from the prima facie amount payable on the operating profit. The difference is reconciled as follows:		
Profit/(loss) before income tax expense	**51,262**	(84,878)
Prima facie income tax (expense)/benefit on net profit at 25.0% (2022: 25.0%)	**(12,815)**	21,220
Foreign withholding tax	**1**	-
Adjustments to prior period	**(92)**	2,007
	(12,906)	23,227
b. The major components of income tax (expense)/benefit are:		
Adjustment for deferred tax of prior period due to change in tax rate	**(6)**	2,089
Deferred income tax benefit/(expense)	**(12,900)**	21,138
	(12,906)	23,227
c. Deferred tax liabilities relate to the following:		
Unrealised gain on investments	**(9,349)**	-
Other temporary differences	**(61)**	(50)
	(9,410)	(50)
d. Deferred tax assets relate to the following:		
Unrealised losses on investments	**-**	10,641
Costs associated with the issue of shares	**1**	2
Other temporary differences	**34**	39
Unused income tax losses for which deferred tax asset has been recognised	**7,182**	74
	7,217	10,756

Under the provisions of the tax legislation, a company will qualify for the lower company tax rate of 25% for the financial year 2022/2023 if it is a "base rate entity" for the income year. A company is a "base rate entity" for an income year only if:

- No more than 80% of the company's assessable income for the year is passive income; and
- The aggregated turnover of the company is less than the relevant threshold ($50m for the financial year 2022/2023).

The Company's "aggregated turnover" for the financial year 2022/2023 amounted to approximately $13.1m.

As the Company's "aggregated turnover" for the financial year 2022/2023 was below $50 million, and no more than 80% of the Company's assessable income for that year was passive income, the Company satisfied the definition of base rate entity for the financial year 2022/2023. Dividends paid by the Company during the 2023/2024 financial year will be franked at 25%.

5 Earnings per share (EPS)

	30 June 2023	30 June 2022
	$'000	$'000
Net profit/(loss) after income tax used in the calculation of basic and diluted EPS	**38,356**	(61,651)
	No. of Shares	No. of Shares
Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS	**256,468,448**	255,430,976
Weighted average number of ordinary shares outstanding during the year used in calculation of diluted EPS	**256,468,448**	255,430,976

The basic and diluted earnings per share have been calculated using the net profit after income tax attributable to the shareholders of the Company as the numerator.

6 Cash and cash equivalents

	As at	
	30 June 2023	30 June 2022
	$'000	$'000
Cash at custodian	**9,698**	10,834
	9,698	10,834

7 Trade and other receivables

	As at	
	30 June 2023	30 June 2022
	$'000	$'000
Dividends receivable	**229**	185
Interest receivable	**33**	2
Outstanding investment settlements receivable	**461**	111
GST receivable	**73**	79
Other receivables	**47**	51
	843	428

There are no past due or impaired receivables at reporting date. All trade receivables are expected to be received within 12 months from the reporting date.

8 Financial assets at fair value through profit or loss

	As at	
	30 June 2023	30 June 2022
	$'000	$'000
Listed shares	**304,745**	264,594
	304,745	264,594

9 Trade and other payables

	As at	
	30 June 2023	30 June 2022
	$'000	$'000
Management fees payable	**309**	280
Due to brokers	**128**	496
Other expenses payable	**70**	90
	507	866

All trade payables are expected to be settled within 12 months from the reporting date.

10 Issued capital

	30 June 2023 No. of shares	30 June 2022 No. of shares
Issued ordinary shares at the beginning of the reporting period	**256,031,671**	255,077,850
Dividends reinvested (DRP)	**1,234,932**	953,821
Share buyback	**(423,797)**	-
Issued ordinary shares at reporting date	**256,842,806**	256,031,671

	30 June 2023 $'000	30 June 2022 $'000
Issued ordinary shares at the beginning of the reporting period	**318,407**	317,232
Dividends reinvested (DRP)	**1,189**	1,175
Share buyback	**(384)**	-
Issued ordinary shares at reporting date	**319,212**	318,407

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote. A reconciliation of the number of ordinary shares outstanding is shown in the table above.

Capital risk management

The Directors manage the Company's capital by regularly ensuring that the Company employs its capital in the most efficient manner. The Directors believe that shareholder value is maximised through effective management of dividends distributed to shareholders, share buy-backs and issue of capital. These capital management initiatives will be used when deemed appropriate by the Directors. To achieve this, the Directors monitor the weekly and month end net tangible asset results, investment performance, the Company's expenses and share price movements.

During the year ended 30 June 2023, the Company paid dividends of $13,842,276 (30 June 2022: $13,791,231).

The capital structure of the Company consists of equity attributable to equity holders, comprising issued capital, reserves and retained earnings as disclosed in the Statement of Changes of Equity.

The Company is not subject to externally imposed capital requirements.

11 Retained losses

	As at	
	30 June 2023 $'000	30 June 2022 $'000
Balance at the beginning of the year	**(194,699)**	(113,913)
Current year profit/(loss)	**38,356**	(61,651)
Transfer to profit reserve	**(38,356)**	(19,135)
Balance at the end of the year	**(194,699)**	(194,699)

12 Profit reserve

	As at	
	30 June 2023	30 June 2022
	$'000	$'000
Balance at the beginning of the year	**163,823**	158,479
Transfer from retained earnings	**38,356**	19,135
Final fully franked dividend, franked at 25%, of 1.35 cents paid 15 September 2022 (2022: 1.35 cents fully franked at 30%).	**(3,457)**	(3,444)
Interim fully franked dividends, franked at 25%, of 1.35 cents paid on 15 December, 15 March and 15 June 2023 (2022: 1.35 cents fully franked at 30%)	**(10,385)**	(10,347)
Balance at the end of the year	**188,337**	163,823

The profit reserve consists of declared profits, available for the payment of future dividends.

13 Dividends

	Year ended	
	30 June 2023	30 June 2022
	$'000	$'000
a. Dividends paid		
Final fully franked dividend, franked at 25%, of 1.35 cents paid 15 September 2022 (2022: 1.35 cents fully franked at 30%).	**3,457**	3,444
Interim fully franked dividends, franked at 25%, of 1.35 cents paid on 15 December, 15 March and 15 June 2023 (2022: 1.35 cents fully franked at 30%)	**10,385**	10,347
	13,842	13,791
b. Dividend reinvestment plan		
Final fully franked dividend, franked at 25%, of 1.35 cents paid 15 September 2022 (2022: 1.35 cents fully franked at 30%).	**(293)**	(284)
Interim fully franked dividends, franked at 25%, of 1.35 cents paid 15 December, 15 March and 15 June 2023 (2022: 1.35 cents fully franked at 30%)	**(896)**	(891)
	(1,189)	(1,175)
Net dividends paid in cash	**12,653**	12,616
c. Franking account		
Balance at the beginning of the year	**14,547**	13,486
Franking credits from tax paid/(refund)	**(1,564)**	6,972
Payment of interim fully franked dividends	**(3,462)**	(4,435)
Prior year final fully franked dividend	**(1,152)**	(1,476)
Franking account balance at year end	**8,369**	14,547
Declared but not paid final fully franked dividend	**(1,156)**	(1,151)
Franking account balance post payment of final dividend	**7,213**	13,396

On 19 July 2023, the Board declared the final dividend of 1.35 cents per share fully franked at 25% for financial year 2022/2023. This dividend is not recognised as a liability at 30 June 2023 and will be paid on 15 September 2023.

As at 30 June 2023, the $7.21m franking account balance post payment of final dividend is equivalent to 2.81 cents (2022: 5.23 cents) per share, which equates to approx 8.1 cents per share of fully franked dividends franked at 25%.

The Company's ability to continue to pay franked dividends is dependent upon the receipt of franked dividends from investments and the payment of tax.

Under the provisions of the tax legislation, a company will qualify for the lower company tax rate of 25% for the financial year 2022/2023 if it is a “base rate entity” for the income year. A company is a “base rate entity” for an income year only if:

13 Dividends (continued)

- No more than 80% of the company's assessable income for the year is passive income; and
- The aggregated turnover of the company is less than the relevant threshold ($50m for the financial year 2022/2023).

The Company's "aggregated turnover" for the financial year 2022/2023 amounted to approximately $13.1m.

As the Company's "aggregated turnover" for the financial year 2022/2023 was below $50 million, and no more than 80% of the Company's assessable income for that year was passive income, the Company satisfied the definition of base rate entity for the financial year 2022/2023. Dividends paid by the Company during the 2023/2024 financial year will be franked at 25%.

14 Cash flow information

	Year ended	
	30 June 2023	30 June 2022
	$'000	$'000
(a) Reconciliation of net cash flow from operating activities to net (loss)/profit after income tax:		
Net profit/(loss) after income tax	**38,356**	(61,651)
Change in fair value of investments and foreign cash held	**(53,109)**	81,375
Proceeds from sale of investments	**75,537**	125,463
Payments for purchase of investments	**(63,289)**	(98,011)
Change in other receivables	**(65)**	36
Change in other payables	**9**	(83)
Net change in deferred tax asset and liability	**12,899**	(23,224)
Change in income tax receivables/payables	**1,571**	(6,975)
Net cash inflow from operating activities	**11,909**	16,930

(b) Non-cash financing activities		
Issue of shares under the dividend reinvestment plan (DRP)	**1,189**	1,175
	1,189	1,175

15 Financial risk management

The Company holds the following financial instruments:

	30 June 2023	30 June 2022
	$'000	$'000
Financial assets		
Cash and cash equivalents	**9,698**	10,834
Trade and other receivables	**843**	428
Financial assets at fair value through profit or loss	**304,745**	264,594
	315,286	275,856
Financial liabilities		
Trade and other payables	**507**	866
	507	866

From time to time, forward foreign exchange hedging contracts are used by the Company for risk management purposes. There is no gearing through the use of derivatives.

15 Financial risk management (continued)

Financial risk exposures and management

The main risks the Company is exposed to through its financial instruments are market risk and credit risk.

a. Market risk

(i) Price risk

The Company is exposed to equity securities price risk arising from investments held by the Company and classified on the Statement of Financial Position as fair value through profit or loss of $304.7m (2022: $264.6m).

Sensitivity analysis

At reporting date, if the equity prices had been 10% higher or 15% lower, profit before income tax of the Company would have increased by $30.5m or decreased by $45.7m (2022: loss decreased by $26.5m or increased by $39.7m).

The analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis as for 2022.

The Company has no concentrations in individual equity positions exceeding 4.3% (2022: 3.9%) or more of the Company's equity portfolio other than below:

Company	Fair value $'000	%	Business description
30 June 2023			
Schneider Electric Se	**13,109**	**4.3%**	Industrials
30 June 2022			
Alphabet Inc	10,420	3.9%	Information technology

(ii) Foreign exchange risk

As at 30 June 2023 the portfolio (net assets excluding net tax liabilities) was invested 96.7% in international equities (2022: 95.6%). The portfolio had an exposure to foreign cash and investments of $305m (2022: $265m).

The Company did not use forward foreign exchange contracts during the year to 30 June 2023. There were no forward exchange hedging contracts held as at 30 June 2023 and 30 June 2022.

Sensitivity analysis

At reporting date a 15% strengthening/weakening of the Australian Dollar at 30 June 2023 would have decreased/increased profit or loss before income tax by $45.7m (2022: $39.5m). The analysis assumes that all other variables, in particular interest rates, remain constant. The sensitivity analysis has been performed under the assumption that the Australian Dollar strengthened or weakened +/-15% (2022:+/-15%) against the major currencies to which the Company is exposed.

15 Financial risk management (continued)

a. Market risk (continued)

(ii) Foreign exchange risk (continued)

The Company's total net exposure to fluctuations in foreign currency exchange rates at the reporting date was as follows:

30 June 2023	**Cash**	**Investments**	**Trade and other receivables/ payables & Dividend payable**	**Tax asset/ liability**	**Total**
Assets (AUD)	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Australian Dollar	**9,668**	**-**	**153**	**7,481**	**17,302**
Euro	**-**	**31,534**	**-**	**-**	**31,534**
United States Dollar	**30**	**211,380**	**583**	**-**	**211,993**
Danish Krone	**-**	**4,275**	**-**	**-**	**4,275**
Hong Kong Dollar	**-**	**9,623**	**47**	**-**	**9,670**
British Pound	**-**	**5,633**	**-**	**-**	**5,633**
Indonesian Rupiah	**-**	**8,459**	**-**	**-**	**8,459**
Swedish Krona	**-**	**12,682**	**-**	**-**	**12,682**
Swiss Franc	**-**	**6,130**	**-**	**-**	**6,130**
Brazilian Real	**-**	**3,393**	**24**	**-**	**3,417**
Japanese Yen	**-**	**11,636**	**36**	**-**	**11,672**
	9,698	**304,745**	**843**	**7,481**	**322,767**
Liabilities (AUD)					
Australian Dollar	**-**	**-**	**379**	**9,410**	**9,789**
Swiss Franc	**-**	**-**	**128**	**-**	**128**
	-	**-**	**507**	**9,410**	**9,917**

30 June 2022	Cash	Investments	Trade and other receivables/ payables	Tax asset/ liability	Total
Assets (AUD)	$'000	$'000	$'000	$'000	$'000
Australian Dollar	10,804	971	237	12,591	24,603
Euro	-	21,694	2	-	21,696
United States Dollar	30	184,006	102	-	184,138
Danish Krone	-	2,587	-	-	2,587
Hong Kong Dollar	-	19,560	42	-	19,602
British Pound	-	6,047	-	-	6,047
Indonesian Rupiah	-	4,257	-	-	4,257
Polish Zloty	-	1,691	-	-	1,691
Swedish Krona	-	10,218	-	-	10,218
Swiss Franc	-	4,667	-	-	4,667
Brazilian Real		2,365	26	-	2,391
Chinese Yuan	-	498	-	-	498
Japanese Yen	-	6,033	19	-	6,052
	10,834	264,594	428	12,591	288,447
Liabilities (AUD)					
Australian Dollar	-	-	370	50	420
Euro	-	-	496	-	496
	-	-	866	50	916

(iii) Interest rate risk

The main interest rate risk for the Company arises from its cash holdings. The Company's exposure to interest rate risk is immaterial.

	30 June 2023	30 June 2022
	$'000	**$'000**
Cash and cash equivalents		
Cash balance subject to floating interest rate	9,698	10,834

15 Financial risk management (continued)

b. Credit risk

The Company 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 2023, trade and other receivables, and cash are held with counterparties with a credit rating of A-1 or higher (2022: 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.

The Company's major credit risk arises from assets and cash and cash equivalents held with the custodian, BNP Paribas (credit rating: A-1).

The Company manages credit risk associated with financial assets by only trading with reputable brokers and via established securities exchanges.

c. Liquidity risk

Based on an assumption of trading 10% of the trailing three month daily average volume 100% of the portfolio could be realised in one month (2022: 100% in one month).

Maturities of financial liabilities

Financial liabilities held by the Company include management fees payable to the Investment Manager, due to brokers and other payables. The below table shows the maturities of financial liabilities held by the Company.

30 June 2023	**Less than 1 month**	**1 to 3 months**	**3 to 6 months**	**6 to 12 months**	**Total**
Financial liabilities	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Due to brokers	**128**	**-**	**-**	**-**	**128**
Other payables	**379**	**-**	**-**	**-**	**379**
Total	**507**	**-**	**-**	**-**	**507**

30 June 2022	Less than 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Total
Financial liabilities	$'000	$'000	$'000	$'000	$'000
Due to brokers	496	-	-	-	496
Other payables	370	-	-	-	370
Total	866	-	-	-	866

d. Net fair values

The following table provides an analysis of financial instruments as at reporting date that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which fair value is observable.

• Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets and liabilities.

• Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

• Level 3 fair value measurement are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The transfers between levels only happen at the end of the reporting period.

There has been no transfer between levels from the previous reporting period.

30 June 2023	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets	**$'000**	**$'000**	**$'000**	**$'000**
Listed investments at fair value	**304,745**	**-**	**-**	**304,745**
Total	**304,745**	**-**	**-**	**304,745**

15 Financial risk management (continued)

d. Net fair values (continued)

30 June 2022	Level 1	Level 2	Level 3	Total
Financial assets	$'000	$'000	$'000	$'000
Listed investments at fair value	264,594	-	-	264,594
Total	264,594	-	-	264,594

The carrying amount of cash, trade and other receivables and trade and other payables approximate their fair values.

16 Related party transactions

Details of key management personnel

Key Management Personnel (KMP) for the year ended 30 June 2023 are those persons who are identified as having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any Non-executive Director (NED) of the Company.

Names and positions held by Directors and Officers of the Company in office at any time during the financial year are:

Name	Title	Appointment date
Frank Gooch	Independent Non-Executive Director and Chairman	Appointed Independent Non-Executive Director 5 June 2017 and Chairman 6 December 2017
Russel Pillemer	Managing Director	Appointed Non-Executive Director 5 June 2017 and Managing Director 21 February 2019
David Groves	Non-Executive Director	Appointed 13 January 2017
Sandi Orleow	Independent Non-Executive Director	Appointed 1 September 2019

The Company has no employees. All operational and administrative duties are performed by Pengana Capital Group Limited (PCG), the parent company of the Investment Manager. No employees of PCG are remunerated by the Company. All KMP held their positions for the whole of the year ended 30 June 2023.

Related party transactions

Transactions between related parties are on commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

For year ended 30 June 2023, performance fees paid and payable were nil (30 June 2022: nil).

	30 June 2023	30 June 2022
	$	$
a. Pengana Capital Group Limited		
The Company reimburses Pengana Capital Group Limited for any expenses that are paid on behalf of the Company as appropriate under the Company's constitution.	**(61,154)**	(92,993)
b. Pengana Investment Management Limited (Investment Manager)		
Management fees paid and payable as governed by the Investment Management Agreement	**(3,555,630)**	(4,367,173)

17 Statement of operations by segment

The Company has identified its operating segments based on the internal reports that are reviewed and used by the Chief Investment Officer of the Investment Manager in assessing and determining the allocation of resources.

The Company operates in one business segment, being investment in securities.

18 Subsequent events

On 19 July 2023, the Board declared the final dividend of 1.35 cents per share fully franked at 25% for financial year 2022/2023. This dividend is not recognised as a liability at 30 June 2023 and will be paid on 15 September 2023.

The after tax NTA per share of the Company at 31 July 2023 was $1.23, an increase of 0.8% or $0.01 from the $1.22 recorded as at 30 June 2023.

Other than the above, the Directors are not aware of any other matter or circumstance not otherwise dealt with in this financial report that has significantly or may significantly affect the Company's operations, the results of those operations or the Company's state of affairs in future years.

19 Contingent liabilities

There were no contingent liabilities at 30 June 2023 and 30 June 2022 that required disclosure.

DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of Pengana International Equities Limited, I state that:

In the opinion of the directors of the Company:

a the financial statements and notes of Pengana International Equities Limited for the financial year ended 30 June 2023 are in accordance with the *Corporations Act 2001*, including:
   - giving a true and fair view of the Company's financial position as at 30 June 2023 and of its performance for the year ended on that date; and
   - complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

b the financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1; and

c there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration has been made after receiving the declarations required to be made to the directors by the Chief Executive Officer and Chief Financial Officer of the Investment Manager in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2023.

On behalf of the Board,

F Gooch

Frank Gooch
Chairman
Sydney
21 August 2023

Building a better
working world

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Sydney NSW 2000 Australia
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Independent auditor's report to the unitholders of Pengana International Equities Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of Pengana International Equities Limited (the Company), which comprises the statement of financial position as at 30 June 2023, 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 a summary of significant accounting policies, and the directors' declaration.

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

a. Giving a true and fair view of the Company's financial position as at 30 June 2023 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 Company 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.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

Investment existence and valuation

Why significant	How our audit addressed the key audit matter
The Company has a significant investment portfolio consisting primarily of listed equities. As at 30 June 2023, the value of these listed equities, was A$ 304,744,572 which equates to 94% of the total assets of the Company. As detailed in the Company's accounting policy described in Note 1d of the financial report, these financial assets are recognised at fair value through profit or loss in accordance with Australian Accounting Standards. Pricing, exchange rates and other market drivers can have a significant impact on the value of these financial assets and the financial report. Accordingly, valuation of the investment portfolio was considered a key audit matter.	We assessed the effectiveness of the controls relating to the recognition and valuation of investments. We obtained and considered the assurance report on the controls of the Company's administrator in relation to Fund Administration Services for the year ended 30 June 2023 and considered the auditor's qualifications and objectivity and results of their procedures. We agreed all investment holdings, including cash accounts, to third party confirmations at 30 June 2023. We assessed the fair value of all investments in the portfolio held at 30 June 2023 to independently sourced market prices. We assessed the adequacy of the disclosures in Note 15 of the financial report in accordance with the requirements of Australian Accounting Standards.

Management and Performance Fees

Why significant	How our audit addressed the key audit matter
Management and performance fees paid to the service provider, Pengana Investment Management Limited, are the most significant operating expense for the Company. The Company's accounting policy for management and performance fees is described in Note 3 to the financial report. Performance fees are recognised in the financial report if the performance hurdles for the Company have been met at the end of the relevant measurement period, which is the date that the performance criteria is met and the liability has been crystallised. As at 30 June 2023, management and performance fees totalled A$3,555,630 which equates to 80% of total expenses. Of this	We assessed the effectiveness of the controls in relation to the calculation of management and performance fees at the service provider responsible for the calculation. We obtained and considered the assurance report on the controls of the Company's administrator in relation to Fund Administration Services for the year ended 30 June 2023 and considered the auditor's qualifications and objectivity and results of their procedures We recalculated management fees, in accordance with the relevant Services agreement, including agreeing the fee rate to the calculation. We recalculated the performance fee, including testing the inputs into the calculation model and

Why significant	How our audit addressed the key audit matter
amount, management fees totalled A$3,555,630 and performance fees totalled nil. The quantum of these expenses and the impact that market volatility can have on the quantum of performance fees resulted in this being a key audit matter. The disclosure of these amounts is included in Note 3 to the financial report.	whether the calculation was in line with the relevant Services agreement. We also assessed that the criteria for accrual of a performance fee were not met and no fee liability was accrued at 30 June 2023. We assessed the adequacy of the disclosures in Note 3 of the financial report in accordance with the requirements of Australian Accounting Standards.

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

The directors 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.

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 Company 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 Company'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 Company 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.

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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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Company.
- 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 Company'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 Company 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.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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Report on the audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 9 to 10 of the directors' report for the year ended 30 June 2023.

In our opinion, the Remuneration Report of Pengana International Equities Limited for the year ended 30 June 2023, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Ernst & Young

Jaddus Manga
Partner
Sydney
21 August 2023

ASX INFORMATION

The shareholder information set out below was applicable as at 24 July 2023.

Distribution of shareholders

Analysis of number of equitable security holders by size of holding:

Range	Number of shareholders	Number of ordinary shares	% Ordinary shares
1 - 1,000	480	192,822	0.08
1,001 - 5,000	963	3,131,768	1.22
5,001 - 10,000	1,058	8,602,551	3.35
10,001 - 100,000	3,252	103,684,542	40.37
100,001 and Over	344	141,231,123	54.99
Total	**6,097**	**256,842,806**	**100.00**

Holders holding less than a marketable parcel

	Minimum parcel size	Shareholders	Ordinary shares
Minimum $ 500.00 parcel at $ 1.0450 per unit	479	271	29,152

Substantial shareholders

The following shareholders have notified the Company that they are the substantial shareholders:

	Number of ordinary shares	% of total issued ordinary shares
Washington H. Soul Pattinson and Company Limited	30,734,274	11.97
Wilson Asset Management Group	19,148,075	7.46
Saba Capital Management GP, L.L.C.	12,882,974	5.02

20 Largest shareholders – Ordinary Shares

	Number of ordinary shares	% of total issued ordinary shares
Washington H Soul Pattinson And Company Limited	24,370,580	9.49
Citicorp Nominees Pty Limited	18,153,934	7.07
BNP Paribas Nominees Pty Ltd Barclays	8,680,186	3.38
HSBC Custody Nominees (Australia) Limited	8,338,027	3.25
Pengana Capital Ltd	3,454,815	1.35
Netwealth Investments Limited	2,133,338	0.83
Pengana Investment Management Limited	2,042,720	0.80
Bnp Paribas Nominees Pty Ltd Hub24 Custodial Serv Ltd	1,495,500	0.58
Pengana Investment Management Ltd	1,412,095	0.55
Netwealth Investments Limited	1,231,925	0.48
Mr Anthony John Simmonds & Mrs Maureen Simmonds	1,195,521	0.47
Mr Orlando Berardino Di Iulio & Ms Catharina Maria Koopman	700,000	0.27
Bnp Paribas Nominees Pty Ltd	664,046	0.26
Sanctuary Gate Pty Ltd	650,000	0.25
Mrs Jean Thyne Hadges	643,095	0.25
HSBC Custody Nominees (Australia) Limited	639,535	0.25
Dove House Super Pty Limited	606,551	0.24
Ditech Pty Ltd	600,000	0.23
Mr Matthew Curzon Allen & Mrs Elizabeth Jane Allen	580,908	0.23
Neweconomy Com Au Nominees Pty Limited	566,350	0.22
Totals: Top 20 holders of Ordinary Fully Paid Shares	**78,159,126**	**30.43**
Total Remaining Holders Balance	**178,683,680**	**69.57**

As at 24 July 2023 there were 6,097 shareholders.

Voting rights

Subject to the Company's constitution:

- At meetings of shareholders, each shareholder is entitled to vote in person, by proxy, by attorney or by representative;
- On a show of hands, each shareholder present in person, by proxy, by attorney or by representative is entitled to one vote;
- On a poll, each shareholder present in person, by proxy, by attorney or by representative is entitled to one vote for every share held by the shareholder.

In the case of joint holdings, only one joint holder may vote.

Voting by proxy

Shareholders may appoint a proxy or attorney to represent them at a shareholder meeting. If a proxy is appointed and the shareholder attends the meeting then that proxy is automatically revoked.

A corporate shareholder may appoint a proxy, an attorney or a corporate representative.

Dividend payments

The Company offers shareholders the following choices of how dividend entitlements can be received:

- Cheque mailed to the shareholder's registered address
- Direct Credit Deposit – the dividend is paid directly to the nominated bank account. Direct credits avoid delay in postal delivery and the possibility of lost cheques and are therefore a preferred option.
- Dividend reinvestment - shareholders can elect to reinvest their dividends under the terms of the Company's Dividend Reinvestment Plan, available from the Company's website www.pengana.com/pia

Transaction in securities

	30 June 2023	30 June 2022
Total number of transactions in securities during the year	568	957
Total brokerage paid or accrued during the year	76,507	173,618

Principal registered address of the company

The principal registered office is Level 27, Governor Philp Tower, 1 Farrer Place, Sydney, NSW 2000 Australia. Telephone (02) 8524 9900.

Registry

Computershare Investor Services Pty Limited, Level 3, 60 Carrington Street, Sydney NSW 2000. Investor Enquiries (02) 8216 5700.

Stock exchange listing

Quotation has been granted for all the ordinary shares of the Company on all Member Exchanges of the Australian Securities Exchange Limited ("ASX"). The Company shares are traded under the symbol PIA. Details of trading activity are published in most daily newspapers and also obtainable from the ASX website: www.asx.com.au.

Investment management agreement

The Company has appointed Pengana Investment Management Limited (the Investment Manager), under an Investment Management

Agreement dated 29 January 2004, to manage the investment portfolio of the Company. The Investment Manager manages and supervises all investments of the Company, including providing monthly valuations, for the term of the contract.

Term

The Investment Management Agreement is for an initial period of 25 years commencing on the date the Company listed on the ASX (March 2004), unless terminated earlier in accordance with terms of the Investment Management Agreement.

Powers of Manager

For the purpose of carrying out its functions and duties under the Investment Management Agreement, the Manager has the powers of a natural person and absolute and unfettered discretion to manage the investment portfolio and to do all things and execute all documents necessary for the purpose of managing the investment portfolio.

Management Fee

In return for the performance of its duties as Manager of the Company's investment portfolio, the Manager is entitled to a management fee of 1.2% (excluding GST and RITC) per annum of the gross value of the investment portfolio, payable on a monthly basis.

Performance fee

The Manager is also entitled to a Performance Fee, equal to 15% (excluding GST and RITC) of any out-performance of the investment portfolio compared to its benchmark the MSCI World Accumulation Net Return Index in Australian Dollars. The fee is aggregated daily and paid annually, subject to the following:

i) if the aggregate Performance Fee for a Financial Year (including any amounts accrued from a previous year) is a positive amount but the Investment Return of the investment portfolio is not greater than zero, then that Performance Fee shall be carried forward (as an accrual) to the following Financial Year,

ii) if the aggregate Performance Fee for a Financial Year (including any positive or negative amount carried forward from the previous year) is a positive amount but the payment of the accrued Performance Fee would cause the adjusted Investment Return of the investment portfolio for the year to be negative, that portion of the Performance Fee that would cause the Investment Return of the investment portfolio to be negative shall be carried forward (as an accrual) to the following Financial Year,

iii) if the aggregate Performance Fee for a Financial Year is a negative amount, no Performance Fees shall be payable to the Manager in respect of that Financial Year, and the negative amount shall be added to the Performance Fee of the succeeding year.

Reimbursement of Expenses

The Company must reimburse to the Manager, in addition to its remuneration and rights of indemnification or reimbursement conferred under any other provision of the Investment Management Agreement or by law, all charges and expenses reasonably and properly incurred by the Manager in respect of the Company.

Distribution support

The Manager shall use commercially reasonable endeavours to promote PIA and distribute the Securities of PIA to current and prospective investors or procure the provision of such promotional and distribution services.

INVESTMENTS AT MARKET VALUE

As at 30 June 2023

Company Name	Code	Market Value $'000	% of Gross Assets
Communication Services			
Tencent Holdings Ltd	BMMV2K8	2,848	0.90%
Netflix Inc	2857817	5,800	1.90%
Meta Platforms Inc	B7TL820	9,706	3.10%
Alphabet Inc	BYVY8G0	11,247	3.60%
Pinterest Inc	BJ2Z0H2	3,609	1.20%
		33,210	**10.60%**
Consumer Discretionary			
Kering SA	PINEFR	3,870	1.20%
Sony Corp	SONJPY	2,816	0.90%
Nike Inc	2640147	2,877	0.90%
Amazon.com Inc	AMAUSD	9,950	3.20%
		19,513	**6.20%**
Consumer Staples			
L'Oréal SA	LOREFR	5,932	1.90%
Hellofresh SE	BYWH8S0	1,024	0.30%
Haleon PLC	BMX86B7	2,875	0.90%
Costco Wholesale Corp	CSTUSD	3,856	1.20%
Estee Lauder Companies	ELUUSD	3,417	1.10%
		17,104	**5.50%**
Financials			
Brasil Bolsa Balcao	BG36ZK1	3,393	1.10%
Aia Group Ltd	B4TX8S1A	3,409	1.10%
PT Bank Central Asia Tbk	B01C1P6	8,459	2.70%
HDFC Bank Ltd	2781648	6,189	2.00%
CME Group Inc	2965839	5,823	1.90%
Tradeweb Market Inc	BJXMVK2	3,520	1.10%
		30,793	**9.80%**
Health Care			
Roche Holdings AG	ROCCHF	3,064	1.00%
Genmab AS	4595739	4,275	1.40%
Wuxi AppTec Co Ltd	BGHH0L6	2,208	0.70%
Chugai Pharmaceutical Co Ltd	CHPJPY	4,022	1.30%
Edwards Lifesciences Corp	2567116	3,586	1.10%
Unitedhealth Group Inc	2917766	6,313	2.00%
Vertex Pharmaceuticals Inc	2931034	12,028	3.80%
Abbvie Inc	B92SR70	2,518	0.80%
Alcon Inc	BJXBP41	4,513	1.40%
Abcam PLC	B677469	5,284	1.70%
Intuitive Surgical Inc	ISRUSD	4,198	1.30%
Thermo Fisher Scientific Inc	THEUSD	5,244	1.70%
Danaher Corp	DHRUSD	7,274	2.30%
		64,527	**20.60%**

Company Name	Code	Market Value $'000	% of Gross Assets
Industrials			
SGS SA	BMBQHZ4	3,066	1.00%
Schneider Electric SE	SCHEFR	13,109	4.20%
Spirax-Sarco Engineering PLC	BWFGQN1	2,758	0.90%
Misumi Group Inc	6595179	1,554	0.50%
Atlas Copco AB	BLDBN41	3,474	1.10%
Epiroc AB	BMD58R8	3,224	1.00%
Ametek Inc	2089212	10,753	3.40%
Deere & Company	2261203	11,365	3.60%
CoStar Group Inc	2262864	3,972	1.30%
Rockwell Automation Inc	ROKUSD	6,912	2.20%
		60,187	**19.20%**
Information Technology			
Adyen NV	BZ1HM42	4,021	1.30%
Keyence Corp	6490995	3,244	1.00%
Hexagon AB	BNZFHC1	5,985	1.90%
Adobe Inc	2008154	4,683	1.50%
Apple Inc	2046251	4,396	1.40%
Salesforce.com Inc	2310525	5,029	1.60%
Nvidia Corp	2379504	4,121	1.30%
SAP SE	2775135	4,586	1.50%
Applied Materials Inc	APMUSD	3,411	1.10%
Accenture PLC	B4BNMY3	5,098	1.60%
Servicenow Inc	B80NXX8	3,922	1.30%
ASML Holding NV	B908F01	5,339	1.70%
Broadcom Inc	BDZ78H9	4,944	1.60%
Microsoft Corp	MICUSD	8,326	2.70%
Synopsys Inc	SNPUSD	4,504	1.40%
Taiwan Semiconductor Manufacturing Company Ltd	TAIUSD	3,066	1.00%
		74,675	**23.90%**
Materials			
Symrise AG	B1JB4K8	3,578	1.10%
		3,578	**1.10%**
Real Estate			
Country Garden Services Holdings Co Ltd	BDQZP48	1,158	0.40%
		1,158	**0.40%**
Total portfolio		**304,745**	**97.40%**
Total cash and cash equivalents, income receivables and outstanding settlements		8,105	2.60%
Gross assets		**312,850**	**100.00%**

CORPORATE DIRECTORY

PRINCIPAL AND REGISTERED OFFICE

Pengana International Equities Limited
Suite 27.01, Level 27, Governor Phillip Tower,
1 Farrer Place, Sydney, NSW 2000 Australia

Telephone (61 2) 8524 9900
Facsimile (61 2) 8524 9901

Website www.pengana.com/pia
Email clientservice@pengana.com

DIRECTORS

Francis Gooch
Independent Non-Executive Director and Chairman

Sandi Orleow
Independent Non-Executive Director

David Groves
Non-Executive Director

Russel Pillemer
Managing Director

COMPANY SECRETARY

Paula Ferrao

INVESTMENT MANAGER

Pengana Investment Management Limited
Suite 27.01, Level 27, Governor Phillip Tower,
1 Farrer Place, Sydney, NSW 2000 Australia

Telephone (61 2) 8524 9900
Facsimile (61 2) 8524 9901

Website www.pengana.com
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INVESTMENT TEAM

Harding Loevner
400 Crossing Blvd
Fourth Floor Bridgewater Township
New Jersey 08807, United States

AUDITOR

Ernst & Young
200 George Street
Sydney NSW 2000 Australia

SHARE REGISTRY

Computershare Investor Services Pty Limited
Level 3, 60 Carrington St
Sydney NSW 2000 Australia

Telephone (61 2) 8234 5000
Website www.computershare.com/au

ANNUAL REPORT

ASX: PIA

PENGANA INTERNATIONAL EQUITIES LIMITED

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