

MONTHLY REPORT

February was an extraordinary month within a normally placid bond market. Catalysed by growing inflation expectations, longer-dated bond yields rose by relatively large amounts and the spread of nominal yields and real yields widened. This had an immediate negative impact on growth stocks, which declined, while reflation stocks rebounded.

We have long argued that inflation is arguably the most significant risk facing the stock market and we continue to vigilantly monitor that risk. Some of the Fund's positions that should benefit from inflation and performed well, as anticipated, during Feb-21 include **ING, Epiroc, Mowi, CME, Vulcan Materials, and Flow Traders**. Meanwhile, the Fund's 'growthier' stocks that we anticipate to be most negatively impacted by rising rates were the weaker performers during the month and include, **Thermo Fisher, Alibaba, Sunrun, and Electronic Arts**. In aggregate the stocks performed as we would expect given an inflation scare, which provides us with a working compass should we choose to tilt the portfolio more meaningfully towards the reflation trade.

The Fund remained relatively unchanged during the month and we added just one 'growthier' stock that was sold off during Feb-21. In aggregate, the portfolio remains highly differentiated from the market with 45% invested in the US Vs the Benchmark's 57%, 27% invested in Europe (ex-UK) Vs the Benchmark's 13%, and 18% invested in Emerging Markets Vs the Benchmark's 13%. It is a similar story when viewed along with sector exposure with the Fund meaningfully overweight Materials and underweight Information Technology and does not own a single FAANG stock.

By our analysis, the Fund has an approx. 5.5% FCF yield, 8% revenue growth, and <1x net debt/EBITDA, all of which compare favourably to the market. These factors coupled with our diversification and various risk controls give us confidence in the outlook for the Fund.

TOP HOLDINGS (ALPHABETICALLY)



Alibaba Group Holding LTD

China

Consumer Discretionary



Charter Communications Inc

United States

Communication Services



Cigna Corp

United States

Health Care



Houlihan Lokey Inc

United States

Financials



Indus Towers Ltd

India

Communication Services



Lumentum

United States

Information Technology



Pinterest Inc

United States

Communication Services



Rakuten Inc

Japan

Consumer Discretionary



Tencent Holdings

China

Communication Services

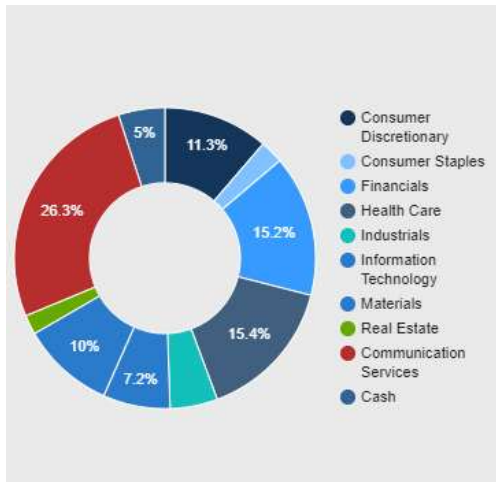


UnitedHealth Group Inc

United States

Health Care

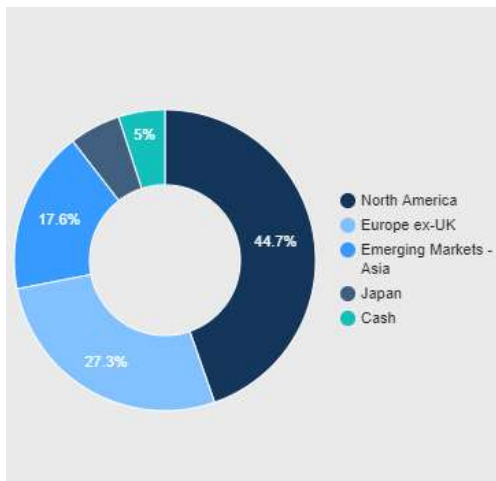
SECTOR BREAKDOWN



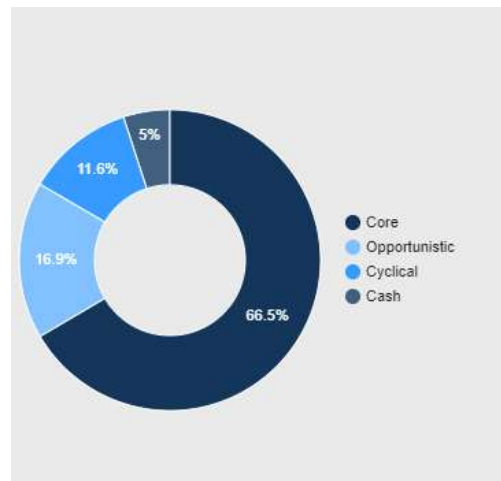
CAPITALISATION BREAKDOWN



REGION BREAKDOWN



SEGMENT



FUND PERFORMANCE

NET PERFORMANCE FOR PERIODS ENDING 28 FEB 2021¹

	1 MONTH	1 YEAR	3 YEARS P.A.	5 YEARS P.A.	SINCE INCEPTION
Fund	1.4%	19.4%	12.7%	12.8%	11.6%
Benchmark	1.4%	8.5%	10.5%	12.4%	10.0%

FUND PERFORMANCE

NET PERFORMANCE SINCE INCEPTION²



VOLATILITY³	9.4%	NUMBER OF STOCKS	36
BETA (USING DAILY RETURNS)⁴	0.76	MAXIMUM DRAW DOWN	-9.4%

FUND MANAGERS



James McDonald
CIO

FEATURES

PORTFOLIO MANAGERS	James McDonald
APIR CODE	HOW0002AU
REDEMPTION PRICE	A\$ 3.3141
FEES *	Management Fee: 1.35% p.a
MINIMUM INITIAL INVESTMENT	\$25,000
FUM AT MONTH END	A\$ 379.4m
STRATEGY INCEPTION DATE	1 July 2015
BENCHMARK	MSCI All Country World Total Return Index (net, AUD)

DESCRIPTION

The Pengana International Ethical Fund is a long only fund that holds 30-50 companies across developed and developing markets, large and small companies. The Fund predominantly invests in companies that deliver stable yet growing free cash flow throughout cycles (which we classify as 'Core' holdings) whilst also taking positions in more cyclical companies ('Cyclical') and those whose valuation has been materially misconstrued by the market ('Opportunistic'). We avoid investment in companies that are, in our opinion, harmful to people, animals or the environment.

1. Net performance figures are shown after all fees and expenses and assume reinvestment of distributions. Past performance is not a reliable indicator of future performance, the value of investments can go up and down.

2. A new strategy was implemented for the Pengana International Ethical Fund from 1 July 2017 by the Pengana team. The financial information refers to the strategy currently employed by the Pengana International Ethical.

From July 2017, performance figures are those of the Pengana International Ethical Fund (the "Fund") class A units (net of fees). Between July 2015 and June 2017, performance figures have been recalculated by adjusting the Pengana International Fund's (ARSN 610 351 641) net returns to reflect the management fee of the Fund. From July 2017 the Fund has been managed by the same team and with the same portfolio construction strategy as the Pengana International Fund, complemented by strict ESG filters and processes. The Pengana International Fund's net track record data is historical. Past performance is not a reliable indicator of future performance. The value of the investment can go up or down.

3. Annualised standard deviation since inception.

4. Relative to the MSCI All Country World Total Return Index in AUD.

*For further information regarding fees please see the PDS available on our website.

Pengana Capital Limited (ABN 30 103 800 568, AFSL 226566) ("Pengana") is the issuer of units in the Pengana International Ethical Fund (ARSN 093 079 906) (the "Fund"). A product disclosure statement for the Fund is available and can be obtained from our distribution team or website. A person should obtain a copy of the product disclosure statement and should consider the product disclosure statement carefully before deciding whether to acquire, or to continue to hold, or making any other decision in respect of, the units in the Fund. This report was prepared by Pengana and does not contain any investment recommendation or investment advice. This report has been prepared without taking account of any person's objectives, financial situation or needs. Therefore, before acting on any information contained within this report a person should consider the appropriateness of the information, having regard to their objectives, financial situation and needs. Neither Pengana nor its related entities, directors or officers guarantees the performance of, or the repayment of capital or income invested in, the Fund.

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